Ontario Hydro-Electric Inquiry Commission 1922-1923

COPY FOR MR. J. ALLAN ROSS

[General report]

HYDRO-ELECTRIC INQUIRY COMMISSION

GENERAL

REPORT

ON

EXAMINATION OF AUDITOR'S REPORTS

FOR

PERIOD 1916-1921 INCLUSIVE

JOSEPH H. W. BOWER
SECRETARY

REPORT

on

EXAMINATION OF AUDITOR'S REPORTS

for

PERIOD 1916-1921 INCLUSIVE

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on

EXAMINATION OF AUDITOR'S REPORTS

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for

PERIOD 1914-1924 INCLUSIVE

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Toronto, Ontario,
June 22nd, 1923.

Hydro-Electric Inquiry Commission,
W. D. Gregory, Esq., Chairman,
Toronto, Ontario.

re: General Report - Examination of
Auditor's Reports, for period 1916 to 1921

Mr. Chairman and Gentlemen:-

In accordance with your instructions an examination has been made of all reports prepared by the Auditor, and a report prepared thereon, along the lines approved of by the Commission on January 2nd. The work has been done under my direct personal supervision as per your instructions.

The audit reports referred to include the so-called draft report prepared by the Auditor immediately after his appointment, and all other yearly and special reports up to and including October 31st, 1921.

Attached to the report is a section entitled "Appendix", wherein the exact quotations from the audit reports are set out and also a study of the Statutes relating to the subjects commented upon by the Auditor, which study has largely been prepared by Mr. J. A. McAndrew, K. C. It is on the matter contained in the Appendix that the report itself is largely based.

The statements contained in the Appendix have been carefully checked by a representative of Messrs. Price, Waterhouse & Company, and also by Messrs. Clarkson and Guilfoyle of the firm of Clarkson, Gordon & Dilworth.

When it was decided that the details contained herein should be collected under one cover it was anticipated that the information would be used only in the way of reference. The material appears, however, to have a very important bearing on the past operations of the Hydro-Electric Power Commission, and for that reason it is set forth in the form of a report in order that the Commission may readily use it in the preparation of an official report if such a course is decided upon.

Yours very truly,

J. W. Dawson
Secretary

JWD/G.

Toronto, Ontario,
June 22nd, 1928.

Canadian Electric Supply Association,
E. B. Gregory, Sec.-, Treasurer,
Toronto, Ontario.

re: General Report - Examination of
Labour's Economic, for period 1918 to 1927

Dr. Gilchrist and Gentlemen:-

In accordance with your instructions we examine-
ties has been made of all objects appearing in the Labour,
and a report covering therein, along the lines outlined by
by the Committee of Inquiry Act. The work has been done
under my direct personal supervision on our own investigation.

COPY

The entire report is divided in twelve the
ural report prepared by the Labour Economic after six
-quarters, and all other people but typical typefed in it
and including Saturday June, 1927.

Attached to the report is a section entitled
"Appendix", wherein the answer questions from the audit so-
ports are set out and also a study of the statutes relating
to a reasonable consumed upon by the Labour, which study
has largely been prepared by Mr. A. A. Meadrew, K. C. It is
on the points mentioned in the Appendix that the Public In-
vest is largely based.

The statements contained in the Appendix have
been carefully checked by a representative of Messrs. Price,
Waterhouse & Company, and also by Messrs. Gilmour and
Hastings of the firm of Clarkson, Gordon & Company.

Even if you should find the detailed examination
appear should be satisfied under one cover it was anticipated
that the information would be used only in the way of reference
the material already, however, it was a very important matter
in the past operations of the Ontario-Electric Power Commission,
and for that reason it is set forth in the form of a report in
order that the commission may readily see it is the preparation
of an efficient report if such a course is desired.

Yours very truly,

EXAMINATION OF AUDITOR'S REPORTS

INTRODUCTION

This report is based upon an examination of all reports made by the Auditors, Messrs. Clarkson, Gordon & Dilworth, on the operations of the Hydro-Electric Power Commission of Ontario for the years 1916 to 1921 inclusive. It is to be noted that the audit statement referred to in this report as "Draft Report of 1916" was never presented to the Government as an official report of the Auditors, nor was it ever printed for public distribution.

The existence of the draft report was brought to the attention of this Commission at a public hearing held in the Parliament Buildings and Mr. Clarkson on behalf of his company made certain statements as to the reason for the action taken in reference to the report. Recently Mr. Clarkson was requested for a written statement in this respect, and in reply he has forwarded to us letter bearing date June 19th, 1923, which reads as follows:

> "In accordance with your telephone request we give you the following reasons why the draft report on the accounts of the Hydro Electric Power Commission to October 1916 should not be regarded as official.

1. It is not an official or signed report but was made up in draft form as a basis for the consideration of various points by the Provincial Government, the Hydro Power Commission and the Auditor.

2. The audit of the accounts of the Power Commission began in July 1916 and - having to make a detailed audit of the records for the whole period 1905 to 1916 - it was near the end of 1917 before the work was completed, and February 1918 before the draft report was compiled. Under these circumstances it was considered advisable to complete the audit to October 1917 before making a report thereon.

3. In the meantime at the 1918 sitting of the Legislature the necessary amendments to the Power Commission Act were made so as to make the Act conform with the operating conditions of the Commission and to make it more workable.

4. It was with the knowledge and sanction of the Provincial Government that the first official report, which covered the whole period up to October 1917, should be made under the Power Commission Act as it stood amended at the date of completion of that report, August 1918."

Having regard to the nature of the inquiry being made by this Commission, it was deemed advisable that the examination of Auditor's reports be made to include the draft report of 1916, as this report discloses the conditions encountered by the Auditors when they first made their examination of the records of the Commission. The Commission had at that time been in operation for a period of about twelve years, so that the 1916 report was, in effect, a review of all operations of the Commission up to that time.

The first official report of the Auditors was for the fiscal year ending October 31st, 1917, and thereafter similar

reports were presented each succeeding year, the last report for the period ending October 31st, 1921, having been presented during April of 1922. The audit report for the fiscal year ending October 31st, 1922, has not as yet been completed and it has therefore been impossible to include an examination of this statement in this report.

The method of procedure in preparing the information herein contained was to make extracts of comments or criticisms made by the Auditor of any questionable action on the part of the Commission. Since the Commission operates under definite statutes, which have been amended or added to from time to time, an endeavour has been made to link up the comments and criticisms of the Auditors with the provisions in the statutes, as they existed when each of the audit reports was made or as later amended.

The first part of the report has been written in the form of a running story, but in order that the details on which it is based may be readily available, there is attached to the report a section entitled "Appendix", wherein the exact comments and criticisms by the Auditors and the remarks thereon are set out.

Practically all of the statements herein contained are dealt with in a specific way in each of the Reports that have already been presented to the Commission, or that are now in the course of preparation. It has not been deemed advisable

therefore to treat with each item in a detailed way, it being thought that the most useful purpose to be served by this report is the compilation under one cover of all criticisms and comments that have been made to date by the Auditors, leaving the details to be dealt with in the separate Reports.

(1) Advances made by the Province to the Commission employed as Working Capital

In the draft report made by the Auditors for the period ending October 31st, 1916, it was drawn to the attention of the Government that the Commission was using $771,204.60 of the advances made by the Province, as working capital. As the repayment of such funds to the Province by the municipalities was not provided for by the Act, the Province would have remained indefinitely the creditor for such funds. In a special report issued in 1918 the Auditors again reported that up to October 31st, 1917, the Province was still a creditor of the Commission in respect of funds advanced by it and used as working capital in the amount of $783,460.40. The Auditors stated further in this report that it was contemplated these moneys would eventually be repaid out of renewal and other reserve funds in process of accumulation.

In order to meet this condition, Section 6(c) of the Power Commission Act was enacted in 1918 and provided that the Commission might retain and set apart out of the moneys coming into its hands such sums as would in the opinion of the Commission be sufficient amongst other things to meet interest upon working capital. Also by Section 23 of the Act, the municipalities were required as part of the cost of power to pay interest on working capital to the Commission.

(i) Estimates made by the Directors in the

Investigation undertaken in October 1937:

In the first report made by the auditors for the period ending December 31st, 1936, it was stated on the authority of the Government that the Commission was using $[illegible] as the estimates made by the Directors, as totally misleading. In the judgment of such Such in the preface by the municipalities was not practical for by the act, the Directors would have remained indefinitely and exercise the sole power. In a special report issued in 1938 the auditors again reported that up to December 31st, 1937, the Directors was still a minority of the Commission in respect of funds expended by it and were do working capital in the amount of $[illegible]. The auditors stated further in this report that it was unemployed funds amount would eventually be repaid out of current and other revenue funds in proportion of attendance.

In order to meet this deficit, taking effect of the three Commissions are now assured in 1938 and provided that the Commission might raise not exceed its share of the income taxes into banks such as would in the opinion of the Commission be sufficient amount other funds to meet interest upon existing debts. Also by section 27 of the act, the municipalities were related to part of the part of power to lay taxes on matters subject to the Commission.

Subsequent to these amendments of the Act, no advances made by the Province and still employed by the Commission as working capital can be replaced except out of accumulated reserves, interest in the meantime being paid annually to the Province.

(2) Default by any Municipality in making payment of its proportionate share of Costs

In the draft report for the period ending October 31st, 1916, the auditors point out that in the event of a municipality or corporation becoming unable to pay its share of the cost of operating the system, the Commission had no power to assess such loss against the other municipalities in the system, in consequence of which such losses would ultimately be charged against the Province.

By the time the special report of 1918 was published this condition had been corrected and the Auditors point out that in case of such defaults the Commission is empowered to provide for bad debts out of income. The condition of affairs as first reported upon by the Auditors in 1916 was corrected by the enactment of Sections 6(e) and 14(b) which authorized the Commission to set apart reserve funds, and by Section 15(2) relating to the application of the income of the Commission empowering the Commission to set up a reserve for doubtful debts. The establishment of such a reserve in effect provides for the payment by other municipalities in a system of uncollectible debts of defaulting municipalities in the same system.

Subject, as never concerned of the act, no
attorney rule of the Treaties and still employed by the com-
mission as regular capital can be replaced except out of
fundamental interest, interest in the meantime being paid
monthly to the investors.

(3) Delivery by any constituents to member
Commerce of the Commercial Bank of Japan

In the first chapter and the period monthly contract
state, 1919, the matters point out that in the event of a monthly
policy or subscription received monthly in July in excess of the
case of starting the [illegible] the commission had no power to
change rate less against the other municipalities in the agreement,
in accordance of which rate issues would disinterestedly be charged
against the investors.

In the time the capital report of 1921 the Commission
this condition had been corrected and the matters point out
that in case of such defaults the Commission is authorized to
charge the net issue rate at 1 [illegible]. The examiners of finance
as first inquiring clerk by the auditors in 1919 the authorized by
the commission of Treasury [illegible] and 1919 [illegible] matters as a
Commission to act upon account [illegible], and by [illegible] 1919) re-
lating to the application of the [illegible] of the Commission economi-
ing the examiners to [illegible] up a reserve for investing [illegible].
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ing the examiners to [illegible] up a reserve for investing [illegible].
[illegible] of such a reserve in [illegible] that the fi-
nancial report of the [illegible] in the meantime being paid
monthly to the investors.

(E) Policy adopted by the Commission of not enforcing full payment of Annual Costs chargeable against Municipalities newly contracting

In the draft report of 1916, the Auditors reported that the Commission had found it impracticable to compel newly contracting municipalities to make full payment annually of their share of the cost of operating and maintaining the system as provided under the Act.

In order to correct this situation, in 1918, Section 23(a) of the Power Commission Act was enacted which provided that during the first three years after a municipality commenced taking power from the Commission, the Commission might extend the time for payment of accounts accruing due to it to any date during such three years.

In the special report made by the Auditors in 1918, Section 23(a) of the Act was in operation, the Auditor in commenting upon the situation thus created by the amendment, states as follows:

> "The Commission has adopted the policy in some cases of charging moderate rates for power in expectation that an increased volume of business thereby obtained, will prove sufficient to meet carrying costs and deficits or provide a basis for adjustment at a price which will not prove to be an undue burden."

In the report for the year ending October 31st, 1919, the Auditor points out that during that fiscal year the amounts owing by municipalities which had been in operation for three years or more prior to October 31st, 1918, were increased. In the reports for 1919, 1920 and 1921, the Auditor specifically sets out the municipalities in each system which have been in operation for more than three years and had underpaid for power.

(8) Twelve objects by the Commission of the
relating their payment as annual rents
Electricity supplied Municipalities under franchises

In the early spring of 1912, the Legislature repealed the Commission and taxes it impossible to enough money municipalities municipalities to have full physical availability of their share of the rent of operating and distributing the Trains supplied under the act.

In order to carry this structure, in 1913, another bill at the same Commission was passed which gave the Commission during the first three years after a municipality acquired electric power from the Commission, the Commission might extend the time for payment of arrears in accounting due to it to any date during that three years.

In the special report made by the Commission in 1912, certain bills of the act was in operation, the Commission summarizing upon the situation then created by the amendment, stated as follows:

"The Commission has analyzed the policy in each case of charging municipalities the power to compensation has an increased values of business thereby existing, will cause difficulties in most municipal towns and Commission to provide a basis for determining at a given point will only serve to be an undue burden."

In the report for the year ending March 31st, 1914, the Legislature points out that through good the actually using by municipalities which had been in operation for three years at this point in March 31st, 1914, were increased. In the report for 1917, that was 1913 the Commission specifically said as the municipalities in each system which have been in

(4) Renewal Funds

According to the draft report of the Auditors for 1916, the Commission had at that time collected amounts specifically in respect of renewal reserves, and used them for other purposes contrary to the provisions of the Act. In the report for the fiscal year 1921, the Auditor states that at that time the Commission had in its hands an amount of $2,957,082.56 and that such funds were then approximately equal to the liquid resources of the Commission held in the form of accounts receivable, and trading inventories, which were available for use when and as required. The Auditor further points out that as this renewal reserve continues to grow, it is essential that it be available for renewal of works and not invested in physical assets not readily realizable. The Commission, it is stated, desires and intends to invest the surplus over the amount of the liquid resources in hand in securities of a character which can be realized on when and as required.

If the proposal to invest renewal funds in such a manner is carried out, and such action would appear to be in accordance with sound business principles, the Power Commission Act should be amended so as to provide for the investment of a definite proportion of renewal reserves in such specified securities as could be readily liquidated at any time.

(4) Conclusions

Conclusions of the Army Branch of the Ministry

For 1921, the Commission has at last been delighted because
availability in records of numerous inventory, but also the
other unexpected savings in the provisions of the area. In the
Treasury for the fiscal year 1921, the Military Estimates was
that also the Commission's net in the costs is shown at
$2,717,123.16 and that even there were less appropriations
myself to the Signal Branches of the Commission and in the
form of equipment repairs, and similar improvements which
were realized for the year ended at Ministry. The latter
factors point to that as a result towards relative stability of
Army, it is assumed that it is a satisfactory for Treasury if there
had not been towards to operational needs and heavily well-nigh
The "realization", it is stated, having and cheaper in terms
the margin over the number of the Signal Establishment in that
is essentially of a necessary nature and be realized to meet
and as priority.

If the proposed to lessen Treasury funds as such
a matter is noticed only, and some matter would appear to be
in accordance with sound business principles, the lower than
missing are should be needed so as to provide for the increas-
ment of a matter's proportion of required money in that
signifying necessities so could be readily identified in the
time.

(5) Collection of interest on working capital

Although not authorized by the Act prior to 1918, the Commission collected from the municipalities interest on working capital. This was drawn to the attention of the Government in the Auditor's report of 1916. This condition was remedied in 1918 by adding Section 6c(2) to the Power Commission Act. This Section provides for setting apart a fund to meet interest on working capital. By Section 23(a) interest on capital expenditures and on working capital is payable annually by municipal corporations.

(6) Surpluses collected from certain municipalities and the use of same

Prior to the amendment of the Power Commission Act in 1918 by the addition of Section 6(d), the Commission had no right to retain funds arising from collectings in excess of the actual cost of power. By the enactment of Section 6(d), the following authorization in this respect was given to the Commission:

> "Any surplus or part thereof in the hands of the Commission from any municipality may be retained by the Commission as security against future obligations to the Commission of the same municipalities for so long during the continuance of the contract of the municipality as the Commission may think fit, but the Commission shall allow to the municipality interest at the rate of four per centum per annum, upon the amount of such surplus from time to time retained by the Commission."

This amendment was passed following reference to the matter by the Auditor in the draft report of 1916. In the special

report of the Auditor made in 1918, the Auditor states that the Commission had at that time come into possession of a substantial amount of surpluses which it retained as security either against the payment of sinking fund requirements or with the intention of moderating rates charged for power, and it had made use of these funds for the general purposes of the undertaking.

While Section 6(d) as above set out, does not specifically authorize the Commission to collect surpluses from the municipalities, the right to retain surpluses coming into its hands and paying interest at the rate of 4% for the use of such funds, would seem necessarily to carry with it, the right to obtain such surpluses by means of charges included in power rates. If there is likely to be any doubt as to the interpretation of the Section in this respect, it might well be amended so as to avoid any question of the rights of the Commission under this Section to build up and use such surpluses.

(7) <u>Losses arising from merchandising</u>

(8) <u>As to manufacturing of electrical equipment</u>

In the draft report of 1916, the Auditor recommends that the Commission should be authorized to charge any losses arising through merchandising to operations, because, under the then existing conditions, the Province was obliged to bear any losses incurred. The Auditor also points out that the authority of the Commission to manufacture electrical appliances is not clear in the Act, and should be specifically set out if the practice is to be continued. To remedy this deficiency, the Act was amended in 1918 by adding Section 15(a) which gave the

Commission wide powers to manufacture electrical equipment and to acquire patents of invention or interests of patents of invention and to sell and dispose of such machinery, appliances, furnishings or patent rights, the profits and losses arising from such operation being adjusted and apportioned among the municipalities having contracts with the Commission or otherwise applied as the Commission might determine. While not specifically set out in this section of the Act, the Commission have used working capital or appropriations specifically voted by the Legislature to meet current expenses in connection with this phase of their work.

(9) Sale of power by one system to another

Prior to the enactment of Section 23(c) and 23(d) of the Power Commission Act, the Commission had no authority to sell power generated in one system to another system. In the draft audit report of 1916, this is called to the attention of the Government and a recommendation made that legislation be enacted giving the Commission authority in this respect.

Following the recommendation made by the auditors the Sections of the Act above quoted were passed and the Commission were thereupon authorized to divert power from one system to another and to determine the price to be paid by the system receiving such power. The sum so paid to the supplying system is to be applied to the cost of construction, maintenance and operation of such system in such manner as the Commission

may direct. To use the Auditor's opinion on this matter "the transaction is of benefit to all systems and particularly to the Wasdell's and Eugenia Systems where the municipalities comprising them obtain a measure of relief in the cost they are called upon to bear".

The question has been raised that if power to the receiving system includes an amount in respect of sinking fund charge is the receiving system or are the municipalities within it acquiring an equity or right of ownership in the works and structures of the supplying system. It does not appear that such was the intention when the amendments to the Act were made, and the Auditors inform us that such a condition has never been recognised by the Commission. Any amounts collected in respect of sinking fund are being used to amortize the capital cost of lines and structures necessary in supplying power to the receiving system, the supplying system thus gaining any advantage arising from such sale. This would appear to be the proper basis on which the problem should be treated, but if there is any doubt as to the real intention or interpretation of the provisions of the Act in this respect it would be well to set the intentions of the section out more specifically.

(10) Acquisition of service and office buildings in Toronto

In the draft report of 1916 the Auditor points out that it was doubtful whether the Act at that time permitted the

Commission to acquire properties such as service and office buildings and to invest therein funds held for renewal purposes, but that, having taken such action, it was necessary for the Commission to obtain the consent of the Lieutenant-Governor-in-Council. The Auditor points out that to October 31st, 1916, the Lieutenant-Governor had not ratified this act of the Commission.

In 1916 Section 15(b) was enacted, which authorized the Commission to lease or otherwise acquire lands, by expropriation or otherwise, necessary or required by the Commission for office, service or other buildings, and erect thereon such office and other buildings and equipment and appliances as the Commission deemed necessary. This Section of the Act also confirmed all past actions of the Commission in this respect. By Part 3 of the above noted Section, the expenditures so made by the Commission shall be repayable to the Commission by the municipal corporations which have entered into contracts with the Commission by an annual sum sufficient to form in thirty years a sinking fund for the repayment of the cost thereof.

(11) Use of funds of Central Ontario System

Under the Act, the Commission is not permitted to merge the funds of one trust with those of another. This was drawn to the attention of the Government in the Auditor's draft report of 1916 and in each succeeding year until 1921.

Commission is unable unanimously such as railway and river utilities and it invest thereto funds held for general purposes, but depending upon work utility, it was necessary for the Commission to retain the control of the irrigation-utilities-in-channels. The indirect gains can lead to improve river, irrigation-navigation-fishery and all utilities are of the Commission.

In this feeling sign manual, which authorised the Commission to issue no concession regulation lessening rights-rights or minerals, necessary or required by the Commission for ports, harbour, railway, waterways, and power through canal water and other utilities and equipment and facilities or the Commission deemed necessary. This tenure of the lease and continued all just matters of the Commission in this respect. By part 2 of the above sanad therein, the requisitions to made by the Commission shall be recognised to the limitations to the maintain operations which into minor item contract with the Commission by re manual are relations to free to bring place a stating that for the requirement of the main canal.

(iii) Use of Water of Tungabhadra Project Design

Under the law, the Commission is not permitted to carry the fruit of the first view issue of machine. This was given in the estimation of the Government in the initial draft report of 1921 and is much recommending year until 1921.

Prior to the creation of a general fund for the Commission by passing Section 6(b) in 1918, it was quite clear that the diversion of moneys coming to its hand for a specific purpose to other purposes was entirely unwarranted and improper. With a clear understanding of the reason for the passing of Section 6(b) of the Act, this same condition obtains as it is quite clear that this revision in the statutes was not made to condone such diversion. The Auditor is in entire agreement with this, inasmuch as he has continued to report the impropriety of the action of the Commission in this respect for each succeeding year since the passage of this section.

(12) Expenditures on Niagara Development
in excess of advances therefor by Province of Ontario

Year by year from 1917 up to 1921, the Auditor has reported that the expenditures made by the Commission on Niagara Development exceeded advances therefor and that the excess so expended was provided by the Commission out of other funds. In 1917 the Commission expended $2,374,789.50 on which account the Province had only advanced $1,200,000.00 leaving a balance taken from the general funds of the Commission of $1,174,789.50. During the fiscal year 1918 expenditures made by the Commission exceeded advances therefor by $2,475,970.75. During the period ending October 31st, 1918, advances to the Commission for the purposes of the Niagara Power Development work amounted to $6,000,000.00 and the expenditures by the Commission amounted to $7,162,999.24.

Prior to the operation of a general land tax the income derived by passing Section 13(b) in 1910, it was quite clear that the diversion of money would be the need for a specific budget to other purposes was entirely conceivated and improper. Like a clear understanding of the reason for the passing of Section 8(b) of the Act, this show consideration existing as it is quite clear that such position in the Schedule was not made as regards such diversion. The reality is in active agreement with this, however as he has succeeded in reducing the importance of the action of the Commission in this respect for such disposal has also the question of this varying.

[IX] Statement of Expenditure Commission
In regard of Advance Capital Of Income of Income

Year by year from 1911 to 1919, the Commission has expended this the actual sums made by the Commission as income capital expended Commission Income and year the sums as expended was passed by the Commission and at other times. In fact the Commission expended £1,314,000.00 in which amount the Commission was only advanced £1,196,000.00 leaving a balance these figures but only advanced £1,196,000.00 leaving a balance these from the Commission at £1,176,750.00. During the first year 1919 expenditures made by the Commission exceeded advance income by £4,872,878.00. During the year ending March 31st, 1918, advances to the Commission for the purchase of the Sinclair Oil Refineries were reduced to £4,498,000.00 and the expenditures by the Commission increased to £4,134,000.00, and the Commission expended £1,314,000.00 in which amount the Commission was only advanced £1,196,000.00 leaving a balance these figures but only advanced £1,196,000.00 leaving a balance these from the Commission at £1,176,750.00. During the first year 1919 expenditures made by the Commission exceeded advance income by £4,872,878.00. During the year ending March 31st, 1918, advances to the Commission for the purchase of the Sinclair Oil Refineries were reduced to £4,498,000.00 and the expenditures by the Commission increased to £4,134,000.00,

the excess of $1,162,999.24 being made up by the Commission out of other moneys in its hands. Similarly expenditures on the Niagara Development exceeded appropriations therefor by the Province in the amount of $4,486,895.22 for the year 1920 and $4,806,215.75 for the year 1921.

Under the Ontario and Niagara Development Act (1916), it is provided by Section 4(1) that "cost of the construction and maintenance of the work authorized by this Act shall be defrayed out of such money as may from time to time be appropriated by the Legislature for that purpose, and the works which may be authorized under Section 3 shall be carried out and constructed as far as possible in such a manner that an appropriation made in any one fiscal year shall not be exceeded by the cost of the work to be carried out in that year".

When the Ontario and Niagara Development Act of 1917 was passed, the Act of the previous year was not repealed and the Act of 1917 must, therefore, be considered as an amending Act. It is pointed out further that under neither Act are all the powers of the Commission under the Power Commission Act conferred on the Commission, nor are all the powers of the Power Commission Act in respect of power developments made applicable to this undertaking.

In reviewing the acts by the Commission and the statutes applicable to the Niagara Development, there can be no doubt that the Commission had no power or authority to employ funds in its hands from other sources for the purposes of this development.

(13) Contracts with municipalities and nonecompliance with certain terms of them

The following extract is taken from the Auditor's draft report of 1916;

> "A great many contracts with municipalities provide that they shall not take power in excess of the amounts reserved for them except upon written notice. In a great many instances municipalities are taking power in excess of the amounts reserved for them as set forth in their contracts and the Commission has not insisted upon written notice. Any departure from the express terms of the contract may impair the security upon which both the Province and the Commission rely for protection."

The Auditors inform us that they requested the Commission to obtain from municipalities definite undertakings in respect of the quantity of power to be taken by them. Following this the standard form of contract was amended so as to provide that where a municipality takes power in excess of the maximum load stated in the contract, it covenants not only to pay for such excess power, but thereby a new maximum load is automatically established.

(14) Salaries and Wages paid employees of the Commission

Under the original Power Commission Act, it was provided that the Commission might appoint a chief engineer, an accountant, a secretary and such other officers, etc., as may be deemed requisite to be appointed by the Commission, their salaries to be paid out of such moneys as might be voted by the Legislature for the purpose. The Power Commission Act, as

amended in 1914 and as it is at the present provides:

6(1) "The Commission may appoint a Chief Engineer, an Accountant and a Secretary, and such other engineers, accountants, officers, servants and workmen as may be deemed requisite.

(2) The salaries or other remuneration of the Chief Engineer, the Accountant and Secretary so appointed shall be fixed by the Commission, subject to the ratification of the Lieutenant-Governor-in-Council."

In every report made to the Government by the Auditors since 1916, including the special report made in 1918, the Auditors point out that the salaries of the Chief Engineer, the Accountant and Secretary have not been submitted to the Lieutenant-Governor-in-Council for ratification in compliance with the Act. Neither the original nor present Act appear to have been complied with by the Commission, and in view of the frequent comments of the Auditor and the manifest duty of the Commission, it is surprising that the Government has overlooked this breach of the Statute by the Commission, and allowed it to continue to the present time.

(15) Sinking Funds

In the Auditor's draft report of 1916, it is pointed out that the Act provides for an annual sum sufficient to form in thirty years a sinking fund for the retirement of the securities issued by the Ontario Government for the payment of the cost of the works. The Auditor further points out that at this time contracts with certain municipalities and companies had a life

of less than thirty years and this, together with the relief from the payment of sinking funds for the first five years of operation, left the Commission in the position of having its contract expire before complete payment of such sinking fund payments had been made.

In the Auditor's special report of 1918 the Auditor, commenting upon the collection of sinking fund, states that, while the collection of such funds have been deferred from municipalities for the first five years, the sinking fund requirements in respect of works and lines, supplying other than municipalities, have been collected from the date of commencement of supply.

In the report for the period ending October 31st, 1918, the Auditor points out that "all moneys paid by the Commission to the Provincial Treasurer on sinking fund account remained in the hands of the latter uninvested. The Act provides that sinking funds together with interest thereon shall be invested in securities of the Province." The same condition regarding the moneys in the hands of the Provincial Treasurer on account of sinking funds obtained during the fiscal years 1919, 1920 and 1921, and the attention of the Government was directed thereto by the Auditor in his report for each of these years.

It is understood that there are only one or two cases where the period of contract does not co-incide with the sinking fund period, so that the cases where contracts will expire before the full sinking fund period has elapsed are relatively very small. The principle, however, as referred to by Mr. Clarkson

of making contracts with municipalities for a period which is at least as long as the sinking fund period is very sound and should be adhered to rigidly.

Under the original Act and until the amending Act of 1916, the Commission was required to pay over to the Provincial Treasurer all moneys received by it from municipalities, railways and other companies under the Act. Such provision if carried into effect would have made the Provincial Treasurer the Treasurer of the Commission and produced an impracticable arrangement. The Commission did not fully comply with this statutory provision while it was in force, as the money did not find its way into the custody of the Provincial Treasurer, and it would appear that the Act in this respect was inoperative.

By the Act of 1916, the provision as to payment of all receipts of the Commission to the Provincial Treasurer was repealed and Section 15(1) was enacted as follows; "All sums received by the Commission from municipal corporations and others on sinking fund account shall be invested by the Commission in securities of the Province of Ontario, and also all interest accruing thereon, and such security shall be delivered by the Commission to the Treasurer of Ontario as security for repayment of the advances made by the Province to the Commission."

While this section of the Act was not complied with up to October 31st, 1921, the Auditors now inform us that all sinking fund amounts have been duly invested in securities of the Province, except a sum in the amount of about $475,000.00 representing yearly

of getting negotiations with communists for a united world is not based on fear or the mistaken idea that peace is very sound and should be adhered to rigidly.

Under the original law and until the amending act of 1919, the Government was required to put every to the Provincial Treasurer all income received or in their possession which and other documents under the act. Thus provided if carried some effort really here made the Provincial Treasurer the Treasurer of the Municipality was responsible in Legislative assembly. The Government did not fully comply with this statutory provision which is why in 1919, on the motion of the Hon. Mr. Lane the Legislature passed the "Provincial Treasurer" and it could appear that the act is this respect was ineffective.

By the act of 1919, the provisions as to payment of all receipts of the municipalities to the Provincial Treasurer was repealed and section 3211 was enacted as follows "All sums received by the Municipality under authority of this act or minding that account shall be invested by the Municipality in securities of the Province of Ontario, and the all interest accruing thereon, and such security shall be delivered to the Treasurer of Ontario to be security for the payment made by the Province to the Municipality."

While this section of the act was not amended with effect on October 31st, 1922, the Auditor now informs us that all municipal funds were then duly invested in securities of the Province amounts a sum in the amount of about $47,000.00 representing principal

deposits which were made with the Treasurer of Ontario by the Commission. It would appear that the necessary direction should be given that the deposits above referred to, together with accrued interest thereon, be immediately invested so that the intention of this section of the Act may be fully complied with.

(16) Collection of Construction Accounts

It would appear from the Auditor's reports for various years that the Commission were very lax in the collection of construction accounts from municipalities for construction work undertaken on their behalf by the Commission. In the draft report of 1916, the Auditor states as follows: "Amounts owing to the Commission for construction work should be collected more promptly." In the 1917 report the Auditor states in part as follows: "Municipalities should be required to make adequate arrangements for payment to the Commission in respect of the construction of works, before such work be undertaken by the Commission." In the special report prepared by the Auditors during the fiscal year 1918, attention is again directed to the fact that, while under Section 15a(2) of the Act, the Commission is authorized to construct works and distribution systems for municipalities which have entered into contract with the Commission for a supply of power and the Commission is empowered to collect the cost of same from such municipalities, on October 31st, 1917, the sum of $364,137.66 was due to the Commission in respect of municipal construction accounts. The Auditor goes on to point out that of this amount $130,227.88 was in arrears

three months or more and on the 30th of June, 1918, still remained unpaid.

In the report for the fiscal year 1918, the Auditor again refers to this subject and points out that the overdue accounts, including balances due on construction and sales account, amounted to $172,768.27 approximately $91,000 of which was represented by accounts, part of which had been owing since the years 1915 and 1916.

Since that date, the Auditors state that the Commission have been more prompt in making their collections and that at the present time the accounts against the municipalities are, as a general rule, collected by the Commission when due.

(17) <u>London & Port Stanley Railway</u>

The action taken by the Commission in temporarily using moneys for the construction of the London & Port Stanley Railway is very clearly commented upon by the Auditor in his draft report of 1916, and his report for the fiscal year ending 1917. His remarks in connection therewith are as follows:

> "The Commission did considerable work in connection with the construction of the London and Port Stanley Railway. There would appear to be no authority in the Act permitting the Commission to expend moneys on the construction of an electric Railway. To that extent, expenditures of moneys for such a purpose was beyond the powers of the Commission. — Dr.Rep. 1916 p.44.

"Between September, 1914, and October, 1917, the Commission expended $309,126.14 on construction work and equipment in connection with an electric railway between London and Port Stanley and charged the whole of this expenditure to the London Railway Commission. These amounts were repaid to the Commission, but it is contended that there is no authority in the Act permitting the Commission to expend moneys in the construction of an electric railway. The expenditure of moneys for such a purpose was therefore beyond the powers of the Commission and without authority." Report 1917 p.3.

As pointed out by the Auditor there is no statutory or other authority to justify the Commission's undertaking the construction work of the London & Port Stanley Railway or expending thereon, moneys in its hands for other purposes. This is perhaps one of the most flagrant cases of misuse by the Commission of trust funds in its possession for purposes and uses which were entirely outside its scope of authority, as defined by the Power Commission Act.

(18) Rural lines operated by the Commission

In this connection the Auditor in his 1917 report states as follows: "These lines unless later taken over by the municipalities will, under the contracts, remain the property of the Commission."

The construction and operation of distribution works in rural power districts was provided for by Part IIB of the Power Commission Act passed in 1920.

"Between September, 1918, and December, 1919, the Commission expended $800,150.14 on construction work and equipment in connection with the electric railway between Lambton and Port Stanley and electrical work in the erection of this structure by the Lambton Railway Construction. There remains over regard to the undertaking, but it is strongly held in some by authority in the Port Stanley Harbour Commission is urged another in the construction of an electric railway. The expenditure of money for such a purpose has exceeded beyond the powers of the Commission and without authority."

As pointed out by the Auditor there is no statutory authority to justify the Commission's undertaking the construction work at the Lambton & Port Stanley Railway or operating tramcars, except by Act of Parliament for that purpose. This is perhaps one of the most flagrant cases of misuse by the Commission of funds in the construction for purchase and rates which were entirely outside the scope of authority as defined by the Power Commission Act.

(2) Small line supplied by the Commission

In this connection the Auditor in his 1917 report states as follows: "These lines unless later taken over by the municipalities will, under the contracts, remain the property of the Commission."

The constructions and operations of distribution were in every sense distinctly non-profitable and it was not until the Power Commission was passed in 1920.

(19) Essex System

The following are extracts from the Auditor's reports for the years 1918 and 1921:

"The Essex System is owned by the Hydro Electric Power Commission of Ontario, the municipalities served being without contractual interest in it."

"The Commission incurred a deficit of $12,687.27 in the operation of the Essex System during the fiscal year 1918, which is not recoverable from the municipalities served."

"To October 31, 1920, the Commission had advanced $149,516.58 to the Essex System out of renewal and reserve funds held by it to the credit of other power systems. In the fiscal year ending October 31, 1921, such advances were reduced to $22,375.24, leaving a balance still owing as of the fiscal year ending October 31, 1921, $127,141.34."

Under the powers of Section 8(f) of the Act, the Commission purchased this system issuing its bonds therefor to the amount of $226,000, guaranteed by the Province. In the operation of the system by the Commission, it employed renewal and other reserve funds held by it to the credit of other municipalities for the purpose of making advances to the system. There does not appear to be any warrant for the Commission taking this action, nor does the Act make any provision for operating deficits such as were incurred in the operation of the Essex System.

(20) Thorold System

In the audit report for the period ending October 31st, 1919, it is pointed out that the Commission purchased the Thorold System for the sum of $100,000.00 which was paid for by the Commission in forty-year 4% Bonds of the Commission, bearing date December 8th, 1918, guaranteed by the Province of Ontario. In connection with the purchase, the Auditor states "as at present held, the Thorold System is owned and operated by the Commission at its own risk".

In the audit report for 1920, it is pointed out that as no part of the revenue of the Thorold System was paid to the Commission by the municipalities or others for the purpose of meeting sinking fund instalments, the Commission has not invested the sinking fund of the System in securities of the Province of Ontario for delivery to the Treasurer. In this connection the Auditors now advise that since their report of 1920, the amounts collected in respect of sinking fund have been invested in securities of the Province.

In the report for 1921, the Auditor states that on December 20th, 1920, the municipality of Thorold entered into a contract with the Commission to purchase power on a cost basis, but that up to the 31st of October 1921, the generation and transmission costs of the Ontario Power Company had not been determined, in consequence of which the Commission collected from Thorold an interim rate based on estimates made by the Commission's engineers.

In further analysing the operation of this system, it is found that for the eleven months ending October 31st, 1919, a surplus of $4,393.92 resulted , after allowances for interest, provision for renewals and provision for sinking fund. The accounts as of October 31st, 1921, show an operating profit for the year of $43,966.85 or a total surplus to that date of $57,568.88. The Commission used this surplus and retained it for the purpose of providing additional sinking fund reserve against the Commission's investment in intangible assets of the system which consisted of contracts, franchises and goodwill.

<u>Note</u>: It would appear that both the Essex and Thorold Systems are owned outright as well as operated by the Commission. Since there is no statutory provision dealing with profit and loss on systems owned and operated by the Commission on its own behalf, such provision in the Act should be made if the practice is allowed to continue. Furthermore, in the event of systems so operated continuing to show deficits on operation, the Province will ultimately become responsible and it would appear necessary and desirable that the interest of the Province in such systems, where there is no measure of municipal responsibility, should be properly safeguarded by amendments to the Act.

(21) Farming Operations

During the year ending October 31st, 1918, the Commission sustained a loss of $53,408.63 in connection with its farming operations during that year. These were carried on in connection with lands acquired in the purchase of right-of-way for the Queenston-Chippawa Power Development. In carrying on these operations, the Commission purchased equipment, supplies and livestock, and sold the produce raised. The Auditor in his report for the year 1918 states that there is no provision in the Act which empowered the Commission to undertake farming operations or to expend money for such purposes. The Auditors further inform us that during the first year or two, deficits arising out of these operations, were charged against store-house accounts, but latterly they have been charged against the Queenston-Chippawa Development costs.

While the Commission have apparently acted without warrant in this matter, it would appear that farming operations to a limited extent were necessary in maintaining the lands acquired in a condition favourable to sale. The Commission further stated, according to the Auditor, that farming operations were undertaken by the Commission in the interests of production, having regard to war conditions and with a view to utilizing lands a large portion of which would otherwise have remained idle.

(2) Juneau Electric:-

During the year ending January 31st, 1918, the Juneau Electric Operating Co. had 107,000 in connection with the Taku Power Station during that year. Since this activity on its transmission-line lands required in the operation of right-of-way for the Gastineau-Salmon Creek Transmission, in carrying on these operations, the Commission requested money, acquired the interests, and held the property. The holder in his report for the year 1920 states that it plans to proceed in the not very expensive but Commission to undertake finishing operations or to obtain money for such purposes. The Juneau Power-Station was shut during the first year of its. Daily activity was at times significant, with several highest stage-house measurements. The interior that has been partic- ularly the Gastineau-Salmon Creek-Juneau Power.

While the Commission does typically carry minor minutes in this matter, it would appear that furnishing operations to a limited extent were necessary in maintaining the light in- vested in a condition fair-ready to main. The Commission further stated, according to the holder, that Juneau electri- ficers were undertaken by the Commission in the interests of protection. During August in our negotiations and with a view to utilizing Juneau a large portion of water which otherwise has lowered rate.

(22) Ontario Power Company

The Auditor in the special report prepared by him in 1918 and in subsequent audit reports for that year and the years 1919 and 1920, deals very fully with the various questions arising out of the purchase by the Commission from Mr. J. J. Albright of Buffalo of the capital stock of that company and its subsidiary the Transmission Company.

The general features of this purchase have been fully dealt with in a report prepared for the Commission on the Ontario Power Company, which deals with the legal aspects of the Ontario Power Company purchase as well as its present relationship to the Government, the Hydro-Electric Power Commission of Ontario and the municipalities. In connection with the provision in the Act requiring that the Commission shall invest in Provincial securities and transfer such funds so invested to the Treasurer of the Province, the Auditor in his 1919 report makes the following remarks "the capital stock of the Ontario Power Company, the Essex System and the Thorold System have all been acquired by the issue of bonds of the Commission, guaranteed by the Province of Ontario, and while the Power Commission Act requires that all sinking funds received by the Commission must be invested in securities of the Province of Ontario, there is a question as to whether such securities may be retained by the Commission or must be transferred to the Treasurer of the Province".

In the audit report for 1920, the auditor states as follows:

"It is the opinion of legal counsel that there is now serious question as to whether the shares of the Ontario Power Company are not now so vested in the Commission as to require that the municipalities on the Niagara System make payment for power received from the Ontario Power Company on the same basis as is required under Section 25 of the Power Commission Act."

In connection with this matter it is further stated in the report as follows:

"It is of importance that the question be determined so that the Commission may be assured that such basis as it shall adopt in regulating the accounts of the Company and the Niagara System for the future is one proper to be adopted."

(25) Advances to Ontario Municipal Electric Association and the Ontario Radial Association

The Auditor draws to the attention of the Government in all reports from 1918 to 1921, that the Commission have made advances to the Ontario Municipal Electric Association and also in certain cases to the Ontario Radial Association. To October 31st, 1918, the amount so advanced was $9,493.30 to the Municipal Electric Association and during 1919 the sum of $4,466.63 was advanced to both associations jointly. During the fiscal year ending October 31st, 1920, the total advances amounted to $4,008.64 of which amount $727.50 was charged to the administration expenses of the Commission, and included in the cost of power to the various municipalities, while the balance amounting to $3,281.14 was charged to Hydro Radial Railway construction.

In the audit report for 1960, the auditor states as follows:

"It is the opinion of legal counsel that Ebro is now entitled (subject to the approval of the Minister of the Air-Air Power Authority and but to repay in the immediate or in future) the depreciation on the flights that the depreciation on the flights during which payment for power generated at the Ontario Power Company on the same basis as in previous years."

In connection with this matter it is further stated in the report:

"It is of importance that the (profits) be distributed to the Canadian Government as accurate that such basis or that it shall apply in computing the amounts of the Company and the flights system for the future is now properly established."

(b) Advances to Canair Limited

Canair Limited and the Minister

The auditor stated in the circumstances of the advances in all reports from 1957 to 1961, that the Canadian Dept made advances to the Canair Limited transmitting and also in certain years in the Air-Air Relief assistance. In calendar year 1959, the amount to advanced was $5,000.00 in the Canadian Airways Limited and during 1957 the sum of $6,000.00 was advanced to Air Canada in the Canadian Dept.

In 1960, the total advances amounted to $6,000.00 of which amount $[illegible] was charged to the administration expenses of the Commission, and included in the cost of $[illegible] was charged to Dept Canadian Transport.

In $[illegible] was charged to Dept Canadian Transport.

The advances for the year 1921 of $3,885.07 were made up of $655.52 charged to administrative expenses and the balance $3,229.55 charged as expenditures made by the Commission in connection with various projected Hydro Radial Railways and together with other expenditures made in 1920 and 1921, in respect of such railways, was later charged against the Province.

In each of the reports above referred to, the Auditor states that it is questionable if any provision within the Act permits the Commission to make expenditures of such a character out of funds of the Commission. In the report of 1920, the specific wording in this connection is as follows:

> "The authority of the Commission to make the disbursements of $727.54 is open to question, while the amount of $3,261.14 charged to Hydro Radial Railway construction, made out of funds held by it for the benefit of power systems, was beyond the Commission's authority."

Thus it will be seen that in spite of repeated comments on the validity of the action of the Commission, the Commission still continued to make advances out of trust funds in its possession, without authority under the Act or without any special appropriations being made therefor by legislation.

(24) Thunder Bay System

In the reports for 1918, 1919, 1920 and 1921, the Auditor drawe to the attention of the Government that the Commission has extended the term of repayment by the municipalities of Port Arthur and Fort William of the capital invested in the

works of the system over a period of forty years instead of thirty years as provided by Section 23 of the Act.

While the Act does not authorize the extension of the sinking fund period beyond thirty years, the Government was fully aware of the change made in this respect as it confirmed by Order-in-Council the agreement which was made between the Commission and the municipalities of Port Arthur and Fort William.

(25) Nipigon Interest

In connection with this subject, in the 1921 report the Auditor refers to the insufficiency of the funds paid to the Government in respect of borrowings for the purposes of the Nipigon works. His statement in this respect is as follows:

> "On the assumption that the Province was and is prepared to accept interest at 5 per cent. per annum on all advances by it to the Commission for the purposes of the Nipigon works, the Commission reduced interest charges in respect of such advances to October 31, 1921, to conform with such rate. This resulted in a reduction of $71,785.41 which was deducted from interest paid to the Province on October 31, 1921. In view of the provision of Section 18(1a) and 23 of the Act, if the basis adopted by the Commission in its accounts is to be made permanent and valid it is a question if legislative approval of it is not necessary to be obtained."

Municipal corporations under Sections 23(b) and 23(c) are required to pay annually their proportion of an annual sum to form in thirty years a sinking fund for the repayment of the advances made by Ontario for the payment of

the cost of the works and such sum as the Lieutenant-Governor may direct to cover the difference between the four per cent. charged on capital account, advances for working capital, and all charges and expenses of providing such money.

The Auditors advise that the deficiency in interest amounts have since been adjusted on the Commission's books, but have not as yet been paid over to the Government on account of not having sufficient funds available for this purpose.

(26) Hydro-Electric Railway Construction

In the reports for 1919, 1920 and 1921, the Auditor sets out the expenditures made by the Commission in respect of Hydro-Electric railways. By years these are as follows:

During the year 1919 total expenditures of $54,811.06 were made in the purchase of right-of-way, between Port Credit and Toronto, and $40,773.28 was disbursed by the Commission in connection with preliminary surveys, engineering and investigation, and for other purposes in connection with sundry proposed hydro-electric railway lines.

In 1920, the expenditures for the purposes of the Port Credit-St. Catharines Railway amounted to $413,620.85, $100,000.00 of which amount was borrowed from the Bank of Montreal, the remaining $313,620.85 being taken by the Commission from funds in its possession appropriated for and belonging to the Hydro-Electric Power Systems. The amounts thus borrowed from power system funds were repaid to them subsequent to October 31st, 1920. Detailing the amounts spent in respect of the Toronto-

Port Credit Railway, the following amounts appear in report for this year:

Expended upon the purchase of rights-of-way	$624,996.92
Expenditures upon surveying, engineering, administrative expenses and interest	58,289.82
	$683,286.74

In connection with proposed electric railways all of which are enumerated in the 1920 report, the amount is $130,697.22, which amount was met out of funds appropriated for and belonging to the Hydro-Electric Power Systems. In this connection the Commission said that instead of asking for an appropriation by the Legislature out of which to make such expenditures at the cost of the Province, the moneys mentioned were disbursed out of moneys in its hands and capitalized upon its books in the expectation that construction of the railway would be proceeded with. With the sale of securities for such purposes, the moneys disbursed would have been repayable to the Commission as part of the costs of construction of such railway.

Up to October 31st, 1920, expenditures in respect of the Port Credit and St. Catharines Railway amounted to $313,[illegible]20.85 which sum was repaid to power system funds on September 28th,1920. During the fiscal year ending October 31st, 1921, the Commission made additional expenditures in connection with the Toronto-Port Credit Electric Railway in the amount of $52,477.96 out of funds

appropriated by the Province to meet the cost of miscellaneous construction, in respect of power systems. In this connection the Auditor states as follows:

> "There was in my opinion no authority in the Commission to use the $52,477.96 expended for such purposes, but equally there was no other source available from which the Commission could legally obtain funds to enable it to protect its investment."

In support of the Commission's action of continuing to make unauthorized expenditures in connection with Hydro Railway undertakings, the Auditor states that the Commission advises that it received assurances from Sir William Hearst that, if it would obtain resolutions from the municipalities interested, requesting the Government to introduce and pass all amendments to existing legislation, that might be necessary to validate the building of an electric railway . . . so as to make the same legal, valid and binding upon the municipalities, the Government would with the presentation to it of such resolutions support legislation to that effect.

The Auditor goes on to say that on the basis of this assurance and with resolutions by the municipalities in its possession, the Commission felt justified in acquiring such right-of-way and later making further expenditures thereon out of funds held by it under terms of the Power Commission Act in the belief that by so doing it would make a saving in the cost of the proposed Toronto-Port Credit Railway line.

It is clear that the Auditor's statement regarding the legal nature of the expenditures made by the Commission is quite

correct. There was no warrant or authority for the Commission to employ for Hydro-Radial purposes any moneys in its hands other than such as had been specifically appropriated for such purposes. The provisions of the Power Commission Act were not made applicable to the Hydro Radial Railway Act. The only means provided by the Hydro-Radial Railway Act for the Commission to raise money for the construction and equipment of a railway is by an issue for and on behalf of the Corporations of bonds charged upon and secured by the railway, and all the assets, rights, privileges, revenues, works, property and effects belonging thereto, or held or used in connection therewith.

Underlying debentures issued by municipal corporations are to be held by the Commission as collateral security for the bonds issued by the Commission.

With respect to the Toronto-Port Credit Railway, the right-of-way acquired by the Commission for this undertaking was by the Act vested in the Commission in trust for the corporations which were parties to the agreement. If the right-of-way when disposed of does not realize sufficient to repay the Commission the amount it has expended thereon, the municipal corporations may be liable to make up the deficiency.

With respect to the Port Credit-St. Catharines Railway a different situation exists, in that the Commission did issue its bonds guaranteed by the Province for the purposes of the Railway. The Commission in this case holds the property and effects acquired in trust for the corporations, and the bonds issued by it

are charged and secured upon such property and effects. In default of realization by the Commission as trustee of sufficient to retire its bonds by sale of the property and effects held by it, the deficiency may have to be made up by the municipal corporations out of the debentures deposited by them.

(27) Expenditures in excess of appropriations by the Province

In the 1919 report the Auditor states as follows: "Appropriations made by the Legislature during the year for the purposes of the Commission, but excluding those for the Chippawa Works and Central Ontario System," amounted to a total of $4,771,500.00 and "expenditures by the Commission in respect of such systems for which appropriations were made" amounted to a total of $2,508,140.90. The Auditor goes on to show that during the fiscal year ending October 31st, 1919, the Commission made requisition upon and obtained from the Province, the whole of the moneys appropriated to cover the estimates put in for that period. After expenditures of portions thereof for the specific purposes for which they were voted, there remained in its hands a total of $3,063,037.00 which it expended on other systems in excess of appropriations provided therefor as follows:

On other systems	$93,068.00
On Ontario Power Company and Third Pipe Line	1,811,270.00
On Queenston-Chippawa Works . . .	1,162,999.00
On Electric Railways, Engineering & Investigation, etc.	95,584.00
On Essex System extension	98,973.00
Total	$3,261,894.00
Amount in hands of Commission . .	3,063,037.00
Excess of Expenditures over Legislative Appropriation . . .	$198,857.00

The Auditor goes on to state as follows:

> "It is apparent that the members of the Commission - of themselves - were not fully seized of the extents by which appropriations were being exceeded, or moneys being expended for purposes other than those for which appropriations had been asked. With the matter drawn to their attention, steps have been taken to keep expenditures within appropriations."

In the report for the year ending October 31st, 1920, the Auditor again submits a schedule comparing expenditures with appropriations. This schedule shows that there was appropriated for the Commission the sum of $23,436,500.00, of which there was paid over to the Commission a total of $18,313,500.00, and the same amount was expended by the Commission. Of this amount the sum of $1,079,375.00, which had been obtained for expenditures on systems and other duly authorized purposes, was expended on Hydro-Electric Radial Railways for which no appropriation had been made.

S U M M A R Y

It was the original intention of the Power Commission Act to have all revenue paid into the consolidated revenue fund of the Province. The nearest approach to the spirit of the Act in this respect was the sending of men to the Commission's offices from the Provincial Treasury Department to check up the Commission's finances.

In 1916 the Provincial Auditor, Mr. Clancy, prepared a report in which he stated that "the only statements rendered by the Commission to the Honourable, the Provincial Treasurer for the years 1909 to 1915 inclusive, afford no actual accounting information and fail to disclose the existence of a large and rapidly increasing unauthorized expenditure in the years 1911 to 1915 inclusive."

The remedy proposed by the Honourable T. W. McGarry, then Provincial Treasurer, was the appointment of a comptroller who should countersign all cheques for the Commission, cause proper books to be kept, and a yearly audit made, and the Act was consequently amended by adding Section 6(a) which provided for this. An Order-in-Council dated September 3rd, 1916, appointed Geoffrey T. Clarkson, of Clarkson, Gordon & Dilworth as Auditor to "examine, check, audit and report upon" the accounts of the Commission from its inception to October 31st, 1916. The report first prepared was the so-called draft report of 1916.

R E M A R K S

The provision in the Act for the appointment of a comptroller was amended in 1917, making the appointment permissive instead of obligatory. In consequence of this, the appointment of a comptroller was never made, it being apparently considered that the Auditor was the proper person to bring irregularities on the part of the Commission to the attention of the Government. From the review set out in this report, it will be observed that the Commission up until the appointment of an independent Auditor had been operating in rather a loose manner in so far as due observance of the statutes was concerned. The draft audit report for the fiscal year 1916 is in effect a series of criticisms and comments by the Auditor, of various actions of the Commission for non-observance of provisions of the Power Commission Act.

It is no doubt quite true that the Act, as it stood in 1916, was to a large extent impracticable, and in some respects inoperative, but the Commission continued in its disregard of the statutory provisions of the Act under which it was authorized to operate, without any apparent endeavour to have the objectionable sections removed or amended. While, as stated, the audit report of 1916 was never considered as an official document or its contents made public, its effect was very important in that, as a direct result of the report, during the years 1917 and 1918 many amendments were made to the Act. A great many of the more important provisions of the Act date from the amendments and additions made during these years.

The audit report of 1917 is much freer of criticisms than the draft report of 1916 and the record of irregularities has grown less each succeeding year, as amendments were made validating certain procedure or as the Commission ceased in its disregard of the Statutes.

It will be observed, however, that up to October 31st, 1921, the Commission had still continued to commit unwarranted acts in spite of persistent and repeated objections by the Auditor. The diversion of funds to the total extent of $1,700,000.00 from Central Ontario System appropriations over a period of four years is a striking example of the Commission's failure to heed the repeated criticisms of the Auditor in respect of such procedure. The use of trust funds for unauthorized purposes has also been continued and expenditures made by the Commission out of such moneys for unauthorized purposes. The use of funds held in trust for power systems on other works of the Commission, such as Hydro Radials, was highly improper and even though called to their attention by the Auditor as early as the year 1919, such misuse of funds has continued right up to the present time.

The practice of making expenditures greatly in excess of appropriations voted therefor by the Government is one which has given rise to serious comment in the audit reports. In the case of the Queenston-Chippawa Development it was specifi-

sally provided that the works which may be authorized . . . shall be carried out and constructed as far as possible in such a manner that an appropriation made in any one fiscal year shall not be exceeded by the cost of the work to be carried out in that year. The intention of this provision in the Ontario Niagara Development Act is very clear, but the yearly expenditures made on account of the work at Chippawa have exceeded by millions of dollars in some cases the funds voted therefor by the Legislature. It is quite impossible to estimate with exactitude the amounts of money that will be required for construction works, but there are reasonable limits beyond which expenditures should not be allowed to run without the matter being brought to the attention of the Government.

From evidence given at one of the public hearings, held in the Parliament Buildings, an impression was left in some quarters that the Auditor was constantly aware of all actions taken by the Commission and that his examination of their accounts was in the nature of a pre-audit or at least a running audit, as the operations of the Commission proceeded. Such is not the case and the audit made of the accounts of the Hydro-Electric Power Commission by the firm of Clarkson, Gordon & Dilworth is not commenced until the books of the Commission are closed at the end of each fiscal year. The Auditor has no authority to direct the proceedings of the Commission and the comments and criticisms appearing in his reports from time to time are the result of the examination of the records of the Commission after the action giving rise to such criticism has

been committed.

The firm of Price, Waterhouse & Company, which was engaged by this Commission to make special investigations, have used the reports of Clarkson, Gordon & Dilworth to a very considerable extent in their work and we are informed that, in their opinion, the work of Clarkson, Gordon & Dilworth, as Auditors of the Hydro accounts, has been carried out in a most efficient and thorough manner. After a complete examination of all of the audit reports made, it is very apparent that the appointment of an independent auditor by the Government has been productive of much good and has tended towards the safe-guarding of the Province's interest in this undertaking.

There is no doubt that had the Commission followed more closely the advice of the Auditor, the record of repeated irregularities would be considerably less. Even so, the guiding influence which has been present ever since the appointment was made has resulted in many improvements, and in reviewing the situation, one is faced with the question as to what conditions would prevail today, if such a check had not been available. It would appear that the Government might well provide some more definite means than at present exists for keeping closely in touch with this undertaking, which represents liabilities secured by the Province as a whole to the approximate extent of $150,000,000.00.

APPENDIX

Objections and Comments of the Auditor
in his Reports upon the Accounts of the
HYDRO-ELECTRIC POWER COMMISSION OF ONTARIO
-and-
Remarks as to present position of the
matters dealt with

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(1) Advances made by the Province to the Commission employed as Working Capital.

"At October 31, 1916, the Commission was using $771,204.60 of the advances by the Province as Working Capital. The Act does not provide for the repayment of these monies by the municipalities and the Province must, therefore, remain indefinitely the creditor for any funds advanced by it and utilized as working capital by the Commission."
(Draft Report to Oct.31,1916 at p.15)

"Up to 31st October 1917-----of the balance remaining-----$753,460.40 was employed by the Commission as Working Capital. The Act provides for the payment to the Province of interest on Working Capital, but it does not provide for repayment by the municipalities of advances so employed. Accordingly the Province remained a creditor of the Commission, as on 31st October 1917, for $753,460.40, advanced as Working Capital, which it is contemplated will eventually be repaid by the Commission out of renewal and other reserve funds in process of accumulation."
(Special Report 1918)

"The Commission may retain and set apart out of the moneys coming into its hands from time to time such sums as may in the opinion of the Commission be sufficient:
1. - - - - - -
2. To meet interest upon Working Capital....."
(Sec. 66 The Power Commission Act enacted 1918)

By Section 23 of the Act, the municipalities are required as part of the cost of power, to pay interest on working capital to the Commission.

Any advances made by the Province and still employed by the Commission as Working Capital, under the present provisions of the Act, can be repaid only out of accumulated reserves, interest in the meantime being paid annually to the Province.

[illegible]

Explanations and comments of the Judiciary in its Report upon the complaints of the [illegible]

-oo-

Remarks as to present position of the matters dealt with

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(1) Answers made by the Trustees to the Commission employed on Working Capital.

"On October 11, 1919, the Commission wrote asking [illegible] the advances by the Trustees as working capital. The last date not provide for the repayment of these sums by the municipalities and the Trustees, [illegible] fear, remain interest-bearing creditor for any funds advanced by it and utilised as working capital by the Municipalities."

(Land Report to Oct.31,1922 at page)

"In its last Report ----of the Islamic Commission----(XIX,422.) was analysed by the Commission as varying capital. The sum previous for the payment to the Trustees of interest on working capital, but it does not provide for repayment by the municipalities of advances on account. Essentially the Trustees provided a creditor of the Commission, as on 31st October 1922, for (XIX,422.) advances as Working Capital, which it is consequent with strictly be repaid by the Municipalities out of revenue and other receipts funds in process of accumulation."

(Special Report 1923)

"On October 31, 1919, the Commission wrote asking [illegible] the advances by the Trustees as working capital. The last date not provide for the repayment of these sums by the municipalities and the Trustees, remain interest-bearing creditor for any funds advanced by it and utilised as working capital by the Municipalities."

(Land Report to Oct.31,1922 at page)

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(Special Report 1923)

"The Commission may remain [illegible] not apply not at the moment making into its hands from time to time such sums as may be in the opinion of the Commission be sufficient:

i. - - - - - -

3. To meet interest upon Working Capital....."

(Sec. 60 The Power Commission Act amended 1923)

Section 22 of the Act, the municipalities are required to pay interest on the working capital to the Commission.

Any advances made by the Trustees are still employed by the Commission as working capital. Under the present practice of the Commission, when the Trustees not of accumulated receipts, interest in the meantime being paid annually to the Trustees.

(2) Default by any Municipality in making payment of its proportionate share of Costs.

"If any Municipality or corporation taking power from a System becomes unable to pay its share of the costs of operating the system, the Commission has no power to assess the loss against the other municipalities on the system. Such losses must, therefore, be ultimately charged against the Province."
(Draft Report, 1916, p.16)

"In the event that any municipality or corporation taking power from a system shall become unable to meet its share of annual costs, the Commission is empowered to provide for bad debts so incurred out of income."
(Special Report, 1918, p.18)

Section 60 and 14b, authorizing the Commission to set apart Reserve Funds, and Section 15(2) relating to the application of the income of the Commission, although not expressly doing so, may empower the Commission to set up a reserve for doubtful debts, as has been done.
The establishment of such reserve, in effect provides for the payment by other municipalities in a system of uncollectable debts of defaulting municipalities in the system.

(3) Policy adopted by the Commission of not enforcing full payment of Annual Costs chargeable against Municipalities newly Contracting.

"The Commission has found it impracticable to compel newly contracting municipalities to make full payment annually of their share of the cost of operating and maintaining the system, as provided in the Act."
(Draft Report, 1916, p.16)

"In conducting the affairs of the undertaking the Commission has found it impracticable to enforce full payment annually from all municipalities newly contracting for the reason that to do so would in many instances compel the imposition of rates so onerous and excessive as to imperil their enterprise at times when they need support and before they have had opportunity to obtain a volume of business sufficient to spread the burden

Prior to the passage in 1918 of what is now Section 23a of the Act, the Commission was not authorized to extend the time for payment of sums payable by a municipality to the Commission, although prior to 1918 the Commission's policy was to do so.
Section 23a is as follows:
"The Commission may from time to time during the first three years after any municipality shall first begin to take power from the Commission extend the time for payment of the sums payable by any municipality or any part thereof, and such municipality shall pay to the Commission interest on the amount which may be in arrear or for the payment for which time is extended until the

(d) Failure by any Insolvency to submit payment of the prescribed amount of costs.

"If any insolvency or arrangement manager fails a certain timeframe to pay the bills of the estate of operating the estate, the Commission has power to force the trustee from office and appoint another in its place. Such issues, therefore, be eliminated under certain circumstances."

(Annual Report, 1996, p.38)

"In the event that any insolvency or corporation having paid funds a trustee small amount be made for a small sum, the Commission is empowered to provide for the payment of costs."

(Annual Report, 1996, p.39)

(e) Policy implied by the Commission's of not enforcing full payment of insol costs against small insolvent companies.

Comments.

"The Commission has found in certain circumstances it cannot easily enforce recoverability of costs against insolvent companies in the hands of the part of operating and winding-up the estate, as there is insufficient assets to pay the costs."

(Annual Report, 1996, p.39)

"In addition the effort of the administrator the Commission has incurred in investigation is so large that small payment usually can not adequately compensate the administrator for the time and expense involved in the investigation of cases so that it is not in the interest of the creditors generally for the administrator to pursue the matter."

(Annual Report, 1996, p.39)

"Where the Commission has to act as a trustee for insolvent companies, it either pays the costs or obtains a waiver of payment because they have had opportunity to examine the books of the company and have their expenses to apply the value of the assets."

(Annual Report, 1996, p.39)

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(f) Policy implied by the Commission's of not enforcing full payment of insol costs against small insolvent companies.

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(Annual Report, 1996, p.39)

"Where the Commission has to act as a trustee for insolvent companies, it either pays the costs or obtains a waiver of payment because they have had opportunity to examine the books of the company and have their expenses to apply the value of the assets."

(Annual Report, 1996, p.39)

Prior to the passage in 1996 of what is now Section 536 of the Act, the Commission was not either able to extend the time for payment of some payable by a multiplicity to the Commission, although prior to 1996 the Commission's policy was to do so.

Section 536 is an addition "The Commission may from time to time during the first two years after any multiplicity small first begin to take power from the Commission extend the time for payment o the sums payable by any multiplicity or any part thereof, and such multiplicity small p in the Commission interest to the amount which may be in arrear or for the payment for which time is extended small

(3) Continued

of the charges they are called upon to meet. To meet this condition the Commission is authorized to extend the time for payment of amounts due by municipalities, or such portions thereof as it is necessary so to do, for upwards of three years from the time when they shall first take power from the Commission. The Commission has adopted the policy in some cases of charging moderate rates for power in the expectation that an increased volume of business thereby obtained will prove sufficient to meet current cost and deficits or provide a basis for adjustment at a price which will not prove to be an undue burden."
(Special Report,1918,pp.18-19)

"The amounts due by certain of the municipalities which had been operating for three years or more prior to October 31st, 1918, were increased during the fiscal year ending October 31st, 1919."
(Report for year ending October 31st, 1919, p.15)

In the Reports for 1919, 1920 and 1921, Mr. Clarkson specifies the municipalities in each system, which had been operating for more than three years and had underpaid for power.

(4) Renewal Funds.

"Having collected amounts for the specific purpose of meeting the cost of renewals to the particular works in which each of the municipalities contributing was interested and employing them in the meantime for other purposes, the Commission payment thereof, at such rate not exceeding seven per cent. per annum as the Commission may determine."
The natural interpretation of this Section would appear to be that during the first three years after a municipality commences taking power from the Commission, the Commission may extend to any date (subject to payment of interest) the time for payment of accounts accruing due to it during such three years. In no other cases does extension of time for payment of accounts appear to be permitted by the Act.

There does not appear to be any doubt that the Commission has no authority to use funds, received or collected for a specific purpose, for other purposes of the Commission for which no appropriation

(3) Continued

of the charges they are making even to meet. It must lie with the Commission to authorise to restore the time for payment of charges due by municipalities, or much particular charges as it is necessary so to do for the purpose of giving relief from the time when they will first have to pay from the Commission. The Commission has adopted the policy in some cases of charging reduced rates for power in the expectation that an increased volume of business thereby obtained will yield profit to meet the reduced rate. Municipalities are entitled to expect that the adjustment of rights which will have power to be so under review."

(Annual Report, 1924-25, p.10)

"The energies are by (illegible) the municipalities rights and then electrical by their (illegible) power in Darwin (illegible) 1925, were increased during the fiscal year ending Darwin (illegible) 1926."

(Report for year ending Darwin 1926, p.21)

In the report for 1927, 1928 and 1929, Mr. Thomson discussing the municipalities in each system, which had been charging for more than three years and had reduced their power.

(4) Present Trends.

During original meeting for the specific purpose of meeting the need of Commonwealth as has particular area in which most of the municipalities which constituting was interested and qualified that in the position for other purposes, the Commission

[illegible] Commission, as each rate has exceeding seven per cent. per annum on the Commission may determine."

The actual implementation of this position would appear to be that during the first three years after which a municipality commences taking power from the Commission, the Commission may increase of (unpaid) the payment of interest at the time for payment of annually during 10 years and then charge the rate.

[illegible] Commission may be (illegible) by the (illegible).

(4) Continued

would appear, in default of any provision in the Act to the contrary, to have assumed a right which may be in excess of its powers."
(Draft Report 1916, p.19)

"Renewal funds in the hands of the Commission amounted on October 31st, 1921, to $2,957,082.56,-as shown by the General Balance Sheet of the Commission-and such funds were at that time approximately equal to the liquid resources of the Commission held in the form of accounts receivable and trading inventories, where they were available for use when and as required. The demands upon such funds are not likely to be heavy within the next few years and accordingly with the annual additions to be made to them-and interest allowances-they will in the ordinary course of events be substantially increased in that period. It is essential in the interests of the Province and the municipalities that funds for the renewal of works shall beavailable for use as and when required and that they be not invested in physical assets not readily realizable. I have discussed the matter with the Chairman of the Commission, who informs me, that the Commission desires and intends to invest the surplus from time to time of such funds (over the amount of the liquid resources) in securities of a character which can be realized upon when and as required."
(Report 1921, p.122)

has been made by the Legislature or no special warrant issued under Section 24b of the Act. Section 6b of the Act which makes provision for the establishment by the Commission of a "General Fund" of all moneys and revenues which shall come into its hands and giving it power "to make any and all expenditures out of the said fund for the purposes and objects of the Commission, without regard to the special trusts or purposes under which the same or any part thereof may come to its hands", does not authorize expenditure for purposes or object for which there were no monies in the "General Fund". Section 6c and 14b of the Act, authorize the setting apart by the Commission out of moneys coming into its hands from time to time such sums as may in the opinion of the Commission be sufficient:-

(1) To provide for the renewal, reconstruction, alteration and repair of the works constructed and operated by the Commission. Section 23 provides that each municipal corporation, as part of the annual payments to be made by it to the Commission, shall pay its proportion as adjusted by the Commission of:-
"(c) time loss and the cost of operating, supervising, maintaining, repairing, renewing and insuring the works".
As there is apparently authority under this section to collect merely the cost of renewing, the question arises as to the ultimate disposition of any excess of Renewal Reserve Funds over actual cost of renewals. Does such excess belong and should it ultimately be returned, to the municipalities? Or, can it be applied to repayment of advances by the Province employed as Working Capital?

(5) Collection of Interest on Working Capital.

"The Commission should be authorised to collect interest on amounts owing to it and on Working Capital, the practice has been followed by the Commission, although not authorised by the Act."
(Draft Report, 1916, p.17)

Section 6c, 2, provides for setting apart a fund to meet interest on Working Capital. By Section 23(a) interest on capital expenditures and on Working Capital is payable annually by municipal corporations.
These amending Sections were enacted in 1916.
As interest upon all advances by the Province, including those employed for Working Capital, is payable annually by the Commission and interest on Working Capital is payable by municipal corporations to the Commission.

(6) Surpluses collected from certain municipalities and the use of some.

"The right of the Commission to retain funds arising from collections in excess of the actual cost of power is not definite, while employment of such funds by the Commission for general purposes would appear to be without authority."
(Draft Report, 1916, p.18)

"The Commission has come into possession of a substantial amount of surpluses, which it has retained as security either against the payment of sinking fund requirements (from the payment of which a number of municipalities stand relieved at this time), or with the intention of moderating rates charged for power, and it has made use of these funds for the general purposes of the undertaking."
(Special Report, 1918, p.19)

By 8 Geo V, C.14, S.4 part(1918) The Power Commission Act was amended by adding thereto as Section 6d:-
"Any surplus or part thereof in the hands of the Commission from any municipality may be retained by the Commission as security against future obligations to the Commission of the same municipality for as long during the continuance of the contract of the municipality as the Commission may think fit but the Commission shall allow to the municipality interest at the rate of four per centum per annum upon the amount of such surplus from time to time retained by the Commission."
The right of the Commission to collect a surplus over cost and to employ surplus, so collected and retained, for other purposes of the Commission remains doubtful.

(7) Losses arising from Merchandising

(8) As to Manufacturing of Electrical Equipment.

"The Commission should be authorized to charge any losses arising through merchandising to operations. The Province is now obligated to bear such losses should any be incurred." (Draft Report, 1916, p.20)

"If it is contemplated that the Commission shall continue to manufacture electrical appliances, it should be definitely authorized to do so. At present there is not clear authority in the Act permitting it to do so." (Draft Report, 1916, p.21)

Sections 15a(1a) of the Power Commission Act, enacted by 8 Geo. V. C. 14, S. 8(2) (1918) is as follows:-

"(1a) The Lieutenant-Governor in Council from time to time upon the request of the Commission specifying

(a) the nature and volume of the business to be carried on; and

(b) the extent of the liability which may be incurred in connection therewith;

may authorize the Commission within the Province of Ontario to manufacture such electrical hydraulic, or other machinery, appliances, apparatus and furnishings as may be used in the development, transmission, distribution, supply or use of electrical power, and to acquire patents of invention, or interests in patents of invention and to sell and dispose of such machinery, appliances, furnishings or patent rights, and the profits and losses arising from such operation shall be adjusted and apportioned among the municipalities having contracts with the Commission, or be otherwise applied as the Commission shall see fit."

(9) Sale of Power by one System to Another.

"The Vasdells and Eugenia Systems are selling power to the Severn System. The sale of power by the Commission acting on behalf of one System to itself, acting on behalf of another

"23c. The Commission shall have the right wherever physical connections may be made between any of the systems operating under this Act to make the

(9) Continued.

system, is not contemplated by the Act. It is recommended that legislation be enacted in this connection."
(Draft Report, 1916, p.21)

"The Commission acting separately on behalf of the Wasdells System and on behalf of the Eugenia System supplied power to itself acting for the Severn System, and the Severn System in turn disposes of such power to certain corporations, both private and municipal. "The transaction is of benefit to all systems and particularly to the Wasdells and Eugenia Systems, where the municipalities comprising them obtain a measure of relief in the costs they are called upon to bear. Under The Power Commission Act the Commission has power to divert power from one system to another, and the price to be paid by the System receiving such power is determined by the Commission."
(Special Report, 1918, p.20)

necessary connections so as to divert power from any one system to any other system, and the means of such connection, and the price to be paid by the system receiving such power to the system supplying such power shall in all cases be determined by the Commission, and the cost of the power so taken by any one system from any other shall be dealt with by the Commission under the provisions of the Act as the cost or part of the cost of the power to be paid by the municipalities forming part of such system under their contracts with the Commission."
(8 Geo. V. c. 14, s. 13, part)

"23d. The price payable for power by one system to another shall be collected by the Commission from the system owing the same for the system entitled to receive the same, and all sums so paid to any system shall be applied to the cost of construction, maintenance and operation of such system in such manner as the Commission may direct."
(8 Geo. V. c. 14, s. 13, part)

(10) Acquisition of Service and Office Buildings in Toronto.

"It is doubtful whether the Act permits the Commission to acquire properties of such a character and to invest therein funds held for renewal purposes. But having done so, the Commission was under the necessity of obtaining the consent of the Lieutenant-Governor in Council. To October 31, 1916, the Lieutenant-Governor had not ratified this Act of the Commission."
(Draft Report, 1916, p.21)

By Geo. V. c.14, s. 9 (1918) amending Section 15(b) was enacted as follows:
"(1) The Commission may purchase, lease or otherwise acquire lands, by expropriation or otherwise, necessary or required by the Commission for office, service, or other buildings and erect thereon such office and other buildings and equipment and appliances as the Commission may think

(9) Continued.

system, is not contemplated by the Act. It is recommended that legislation be enacted in this connection."
(Fourth Report, 1914, p.23)

"The Commission acting separately on behalf of the Toronto System and on behalf of the Niagara System supplied power to itself acting for the Severn System, and the Severn system in turn disposes of such power to certain municipalities, both private and municipal. The transmission is of benefit to all systems and particularly to the Toronto and Niagara Systems, where the municipalities supplying them obtain a measure of relief in the costs they are called upon to bear. Under the Power Commission Act the Commission has power to divert energy from one system to another, and the price to be paid by the system receiving such power is determined by the Commission."
(Special Report, 1928, p.30)

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struction, maintenance and
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(1 Geo. V. c. 16, s. 15, parag

(10) Acquisition of Service and Office Buildings in Toronto.

"It is doubtful whether the Act permits the Commission to acquire properties of such a character and in [illegible] for general purposes. Not having done so, the Commission was under the necessity of obtaining the consent of the Lieutenant-Governor in Council. On February 21, 1914, the Lieutenant-Governor had not ratified this act of the Commission."
(Sixth Report, 1914, p.xx)

4 Geo. V. c. 19, s. 8 (1914)
subsection (11) was
enacted as follows:
"(11) The Commission may pur-
chase, lease or otherwise
acquire lands, by expropriation
or otherwise, necessary or
required by the Commission for
offices, service, or other
buildings and erect thereon
such office and other buildings
and equipment and appliances
as the Commission may think

(10) Continued.

fit for the purposes of the Commission.

"(2) The purchase of all lands or leaseholds heretofore acquired by the Commission and the expenditure of the Commission in the erection of office and other buildings, equipment and appliances thereon, heretofore made by the Commission for the purposes aforesaid, are hereby confirmed.

"(3) The expenditure of the Commission in the purchase or lease of the said lands and the erection of the said buildings together with such additions and extensions of the same as may be found necessary from time to time shall be repayable to the Commission by the municipal corporations which have entered into contracts with the Commission by annual sums sufficient to form in thirty years a sinking fund for the repayment of the cost thereof."

(11) Use of Funds of Central Ontario System.

"Funds of the Central Ontario System and those advanced for the Niagara Development at October 31, 1916 have been intermingled with other funds in the Commission's possession at that date, and to a certain extent used for other purposes. The Act does not permit the Commission to merge the funds of one trust with those of another, and it is recommended that should it be necessary to merge funds of separate trusts legislation should be enacted permitting the Commission to do so." "Draft Report, 1916, p.22)

In Mr. Clarkson's Reports on the Accounts of the Commission for each

This is dealt with in the Report of the Hydro-Electric Inquiry Commission on the Central Ontario System.

Prior to the passage of Section 6b of the Act in 1918, whereby a "General Fund" was established, it was quite clear that the diversion of monies come to its hands for a specific purpose to other purposes was entirely unwarranted and improper. An interpretation of Section 6b as permitting such diversion, is, at least, of doubtful validity. The intention of the Section would appear to have

(11) Continued.

year until 1921, attention is drawn to the fact that monies belonging to the Central Ontario System were diverted to other purposes.

been, merely to simplify the keeping of the accounts of the Commission, as the Section provides that the Commission shall account for and from time to time pay out of the "General Funds" all moneys for which it shall be accountable, an impossibility if moneys for which it is accountable have been paid out for purposes in respect of which there were no moneys in the "General Fund".

(12) Expenditures on Niagara Development in excess of Advances therefor by Province of Ontario.

"Up to October 31, 1917 the Commission had expended $2,376,769.50 for the construction and development of works under the Ontario & Niagara Development Act. To this date the Province had advanced $1,200,000 for this purpose, leaving a balance of $1,176,769.50 which was taken from the general funds of the Commission."
(Report on Accounts to October 31, 1917, p. 28)

"At October 31, 1918, expenditures made by the Commission exceeded advances therefor by $2,475,970.75, which amount was provided out of other funds of the Commission."
(Report on Accounts to October 31, 1918, p. 7)

"Appropriations by the Legislature during the year for the purposes of Niagara Power Development work amounted to $6,000,000, the whole amount of which was paid over to the Commission. During the year expenditures upon the works amounted to $7,162,999.24, the excess of $1,162,999.24 having been applied by the Commission out of other moneys in its hands."
(Report on Accounts to October 31, 1919, p.18)

The Ontario Niagara Development Act (6 Geo.V.Chap.20) after reciting in the preamble thereof that "it is desirable that the said work of development should be undertaken and carried out as economically, efficiently and expeditiously as possible, taking into consideration the financial and other conditions arising out of the present war", provides by Section 4(1) that "The cost of the construction and maintenance of the works authorized by this Act shall be defrayed out of such money as may, from time to time, be appropriated by the Legislature for that purpose, and the works which may be authorized under Section 3 shall be carried out and constructed as far as possible in such a manner that an appropriation made in any one fiscal year shall not be exceeded by the cost of the work to be carried out in that year."

"The Ontario Niagara Development Act" 1917, does not repeal the Act of the previous year and must be considered as an amending Act. The titles of the

(ii) continued.

year until 1921, attention is drawn to the fact that the money belonging to the Central Ontario dyeing were diverted to other purposes.

(iii) Appropriation on Niagara Development in excess of Revenue therefor by Province of Ontario.

"Up to October 31, 1917 the Commission had expended $3,375,760.30 for the acquisition and development of works under the Ontario & Niagara Development Act, and for this the Province had authorized $1,300,000 for this purpose, leaving a balance of $1,674,757.30 which was taken from the general funds of the Commission."

(Report on Income to October 31, 1917, p. 28)

"On October 31, 1918, expenditures made by the Commission exceeded advances therefor by $1,475,472, which amount was provided out of other funds of the Commission."

(Report on Income to October 31, 1918, p. 7)

"Appropriations by the Legislature during the year for the purpose of Niagara Power Development were increased to $1,500,000, the whole amount of which was paid over to the Commission. During the year expenditures upon the works exceeded by $1,124,877.14, the amount of $1,124,877.14 having been supplied by the Commission out of other funds in its hands."

(Report on Income to October 31, 1919, p.16)

(12) Continued.

"Up to October 31, 1920, expenditures on the Niagara Development exceeded appropriations therefor by the Province in the amount of $4,486,896.22."
(Report on Accounts to October 31, 1920, p.11)

"At October 31, 1921, the expenditures made by the Commission in connection with the Niagara Development exceeded the appropriations of the Province therefor in the amount of $4,806,215.78."
(Report on Accounts to October 31, 1921, p.14)

two Acts, however, are different The Act of 1916 is entitled "An Act respecting the Public Development of Water Power in the vicinity of Niagara Falls" and the Act of 1917 being "An Act to authorize the Construction and Operation of Works for the Development of Electrical Power and Energy in the vicinity of Niagara Falls by the Hydro-Electric Power Commission of Ontario on behalf of Certain Municipal Corporations".
Under neither Act are all the powers of the Commission under The Power Commission Act conferred upon the Commission, nor are all the provisions of The Power Commission Act in respect of power developments made applicable to this undertaking.
Section 5 of the Act of 1917 is as follows:
"(1) It is hereby declared that the Commission is to be a trustee of all the works constructed or acquired under the authority of this Act for the municipal corporations which have heretofore entered or may hereafter enter into contracts with the Commission for a supply of electrical power or energy from Niagara Falls or the vicinity, but the Commission shall be entitled to a lien upon the said works until all sums expended by the Commission on account of the construction and equipment of such works have been paid."
"(2) Upon the payment of the amounts expended by the Commission upon the construction and equipment of the works, the Commission shall determine and adjust the rights of the municipal corporations, having regard to the amounts paid by them respectively, and such other considerations as may appear equitable to the Commission and are approved by the Lieutenant-Governor-in-Council."

(12) Continued.

Section 9 provides that the Commission with the approval of the Lieutenant-Governor-in-Council may issue bonds, debentures and other securities of the Commission for the purposes in Sections 3 and 4 of the Act of 1917. There can be no doubt that the Commission had no power or authority to employ funds in its hands from other sources for the purposes of this development.

(13) Contracts with Municipalities and Noncompliance with certain terms of them.

"A great many contracts with municipalities provide that they shall not take power in excess of the amounts reserved for them except upon written notice. In a great many instances, the municipalities are taking power in excess of the amounts reserved for them as set forth in their contracts and the Commission has not insisted upon written notice. Any departure from the express terms of the contract may impair the security upon which both the Province and the Commission rely for protection."
(Draft Report, 1916, p.25)

The standard form of contract was amended so as to provide that where a municipality takes power in excess of the maximum load stated in the contract, it covenants not only to pay for such excess power, but thereby a new maximum load is established automatically.

(14) Salaries and Wages paid Employees of the Commission.

"The Commission has not submitted a list of salaries and wages paid employees of the Commission for the approval of the Lieutenant-Governor-in-Council, as required by the Act."
(Draft Report, 1916, p.26)

"The salaries paid to officers and employees of the Commission have not been submitted to the Lieutenant-Governor-in-Council for ratification as required by the Power Commission Act."
(Report on Accounts to October 31, 1917, p.22)

"Under Section 6 of the Act it is provided that the Commission may appoint a Chief Engineer, an Accountant, a Secretary and such other engineers, accountants,

Under the original Power Commission Act, it was provided that the Commission might appoint a Chief Engineer, an Accountant and a Secretary and such other officers, etc. as may be deemed requisite to be appointed by the Commission, their salaries to be paid out of such moneys as might be voted by the Legislature for the purpose. The Power Commission Act as amended in 1914, and as it is at present provides:

"6 (1) The Commission may appoint a Chief Engineer, an Accountant and a Secretary, and such other engineers, accountants, officers, servants and workmen as may be deemed requisite.

(14) Continued.

servants and workmen as may be deemed requisite; also that the salaries and other remuneration of the Chief Engineer, Accountant and Secretary so appointed shall be fixed by the Commission, subject to the ratification of the Lieutenant-Governor-in-Council. The salaries being paid to such officers have not as yet been submitted to the Lieutenant-Governor-in-Council."
(Special Report, 1918, p.22)

"The salaries paid officers of the Commission have not been submitted to the Lieutenant-Governor-in-Council for ratification as required by the Act."
(Report on Accounts to October 31, 1918, p.20)

"The salaries of the Chief Engineer, Accountant and Secretary have not been submitted to the Lieutenant-Governor-in-Council for ratification as required by the Act."
(Report on Accounts to October 31, 1919, p.23)

"The Commission have not submitted the salaries paid the Secretary, the Accountant and the Chief Engineer of the Commission to the Lieutenant-Governor-in-Council for ratification as is required by the Power Commission Act."
(Report on Accounts to October 31, 1920, p.27)

(2) The salaries or other remuneration of the Chief Engineer, Accountant and Secretary so appointed shall be fixed by the Commission, subject to the ratification of the Lieutenant-Governor-in-Council."

Neither the original nor present Act appears to have been complied with by the Commission and in view of the frequent comments of Mr. Clarkson and the manifest duty of the Commission, it is surprising that the Government has overlooked this flagrant breach of the Statute and has allowed it to continue to the present time.

(15) Sinking Funds.

"The Act provides for "an annual sum sufficient to form in thirty years a sinking fund for the retirement of the securities issued by Ontario under the Act for payment of the cost of the works". Contract with certain municipalities and companies have a life of less than thirty years and with relief from sinking fund payments for the first five years of operation, the contract will have expired before complete

It would appear that in the cases of contracts with municipalities which do not extend for a period of thirty years, the Commission would be justified in requiring and should require such municipalities to make the annual payments on account of sinking fund sufficient with interest at four per cent. per annum to provide their proportion

(iii) Continued.

"Our job provides for the annual new
industries in form of shipbuilding
a minimum time for the unemployed.
of the municipal labour by Jobcare
under the put the pressure of the
need of the trade", together with
certain municipalities and municipal
were a plan of land than satisfy.
There are also with social land training
land measures for the first time
time of training, the municipal
will have regional labour supplies
to provide social protection
as part our work". Our common
municipal municipalities with increased
municipal on economic of public
time to make the common land
should be also work municipal-
provided in building and
Jobfield in building and
the committees usual be
or working or carry people-
our committees usual be
It would "power that in the
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ciplitiative union is not also
for a working or carry people-
to provide social protection
as part our work". Our common
municipal municipalities with increased
municipal on economic of public
time to make the common land

(15) Continued

payment of such sinking fund payments has been made."
(Draft Report, 1916, p.29)

"Under section 23 of the Act each municipality is required to pay its share as adjusted by the Commission of "an annual sum sufficient to form in thirty years with interest at the rate of four per cent. per annum, a sinking fund for the repayment of the advances made by the Province." The Commission is, however, empowered to relieve any municipality from the payment of any sum on account of sinking fund for the first five years during which payments are made to the Commission by the municipality under its contract. Under the powers thus conferred on it the Commission has relieved all municipalities from payment of sinking fund requirements during the first five years and has collected sinking fund from or charged sinking fund requirements to those municipalities only which have operated for a longer period. Sinking fund requirements in respect of works and lines supplying other than municipalities have been collected from the date of inception of supply."
(Special Report, 1918, p.24)

"On October 31, 1918, all moneys paid by the Commission to the Provincial Treasurer on Sinking Fund Account remained in the hands of the latter uninvested. The Act provides that sinking funds, together with interest thereon, shall be invested in securities of the Province of Ontario."
(Report on Accounts to October 31, 1918, p.11)

"of the advances made by the Province for the payment of the cost of the work" (Section 23(b)).
If this be not done, the interest of such municipalities, in the works and undertaking towards the cost of which they have contributed payments on account of sinking fund will, when the full amount of the advances made by the Province for payment of the cost of the work has been repaid, be proportionate to their actual contributions towards sinking fund.

Under the Original Act and until the amending Act of 1916, the Commission was required to pay over to the Provincial Treasurer all moneys received by it from municipalities, railway and other companies under the Act. Apparently the Commission did not comply with this statutory provision, while it was in force.
By the Act of 1916, the provision as to payment of all receipts of the Commission to the Provincial Treasurer was repealed and the following enacted as Section 15(1) of the Act:
"All sums received by the Commission from municipal corporations and others on sinking fund account shall be invested by the Commission in securities of the Province of Ontario, and also all interest accruing thereon; and such securities shall be delivered by the Commission to the Treasurer of Ontario as security for repayment of the advances made by the Province to the Commission."

payment of such claims that pay-
ments has been made."
(Daily Mirror, 1919, p.5)

"Under pressure of the not such
municipality is required to pay
the claims as adjusted by the Commi-
ttee of the Council and multitudes
be been in dirty pecks with Lieu-
ant at the pale of their pay book.
pay claims, a sinking fund for the
repayment of the advances made by
the Province." The Toronto Ci-
zenship,commenced to utilize any
municipality from the payment of
any kind on account of claims from
the due first five years during
which payments are made to the
Treasurer by the municipality
under its control. Under the
Act it was provided on in the
Commission has valued all
municipalities from payment of
claims that relinquishing
the first five years has
allowed sinking fund does in
charge claims from municipalities
in those municipalities only which
have expired for a longer period.
Taking that municipalities in
respect of water and light undertak-
ing which than municipalities
have been relieved from the duty
of increasing it energy."
(Daily Mirror, 1919, p.5)

"On October 2, 1919, all means
paid by the municipalities to the
Provincial Treasurer on claims
made against municipalities in the
Province of the Dominion Government
the not provided that claims
Treasurer, begins with interest
thereon, shall be repaid to
municipalities of the Province of
Ontario."
(Report on Claims in Ontario 21,
1919, p.11)

"ar the amounts paid by the
Province for the payment of
the debt of the Dominion"
(Ibid)
If this be the case, the Lea-
gue of Ontario Municipalities,
in its wisdom and patriotism
returns the sum of which the
Dominion Government on
behalf of Ontario Municipalities
claims the full amount of the
payments made by the Province
on account of the debt of the
Dominion Government.
Under the Provincial Act
until the expiration of the
Commission all monies received
by it from municipalities
shall be paid over to the Provincial
Treasurer to be credited to
the Municipalities towards claims
made.

Under the Provincial Act
until the expiration of the
Commission all monies received
by it from municipalities
shall be paid over to the Provincial
Treasurer to be credited to
the Municipalities towards claims
made.
Apparently the Commission
takes its duty only with
the statutory provisions, will
it was in force.
By the Act of 1919, the provi-
sions as to payment of all
receipts of the Commission in
the Provincial Treasury was
repealed and the following
enacted as section 15(1)
of the Act:
"All sums received by the Commi-
ssion from municipal corporations
and others on sinking
fund accounts shall be invested
by the Commission in accordance
of the Province of Ontario, and
also all interest thereon, pla-
ced and such municipalities shall
be credited by the Commission
the Treasurer of Ontario on
account by the payment of the
sinking fund by the Province of
the Dominion."

(15) Continued.

"The moneys paid to the Province by the Commission on Sinking Fund Account have not been invested in securities of the Province as required by the Act - if complications are to be avoided this should be done."
(Report on Accounts to October 31, 1919, p.12)

"Under the provisions of Section 15 of The Power Commission Act sinking funds deposited with the Treasurer of the Province of Ontario should be invested in securities of the Province and up to October 31, 1920 this had not been done."
(Report on Accounts to October 31, 1920, p.73)

"Under the provisions of Section 15 of the Act the $609,294.91 deposited with the Treasurer of Ontario should be invested in securities of the Province and to October 31, 1921, this had not been done."
(Report on Accounts to October 31, 1921, p.107)

(16) Collection of Construction Accounts.

"Amounts owing to the Commission for construction work should be collected more promptly."
(Draft Report, 1916, p.39)

"It would appear advisable that construction accounts be collected more promptly and that the municipalities should be required to make adequate arrangements for payment to the Commission in respect of the construction of works, before such work be undertaken by the Commission."
(Report, 1917, p.32)

"Under Section 15a(2) of the Act, the Commission is authorised to construct works and distribution

Section 15a(2) and Section 32 of the Power Commission Act are as follows:

"The Commission may undertake and carry out the installation constructions, erection or purchase of supplies for any plant, machinery, wires, poles and other things for the transmission, distribution, supply or use of electrical power or energy for light, heat or power purposes, by a municipal corporation or commission which has entered into a contract with the Commission for the supply of

(16) Continued

systems for municipalities which have entered into a contract with the Commission for a supply of power and the Commission is empowered to collect the cost of the same from such municipalities. A list of accounts due in this connection is attached hereto as Schedule 26. Formal contracts between the Commission and the municipalities covering the work done have not been signed, the Commission having accepted as sufficient for its purposes copies of resolutions passed by the local councils in connection with the same.

"On 31st October, 1917, $364,137.66 was due to the Commission in respect of municipal construction accounts. Of this amount $130,227.88 was three months or more overdue and on 30th June, 1918, still remained unpaid. The Commission does not anticipate that any loss will be sustained in respect of these accounts, but it would appear advisable that they be collected more promptly and that municipalities should be required to make adequate arrangements for payment to the Commission in respect of the construction of works before such work be undertaken by the Commission."

(Special Report, 1918, p.32)

"At October 31st, 1918, there were overdue accounts amounting to $172,768.27." (this included both construction and supply Sales Accounts), "approximately $91,000.00 was represented by accounts, part of which had been owing since the years 1915 and 1916."

(Report on Account to October 31, 1918, p.12)

electrical power or energy, and the Commission may charge and collect from such corporation or commission the cost of any work done or service rendered by the Commission, its officers, servants or workmen under this subsection.

"The expenditure of the Commission upon any works undertaken under the provisions of this Act for the benefit of any municipality or municipalities which have entered into contracts with the Commission shall be repayable to the Commission by such municipality or municipalities."

(iii) Immigrant

express her nationalistic origin
then entered into a contract with
the Commission for a supply of
power and the Commission is em-
powered to exclude the cost of
the same from its capitalisation.
- Link of Ontario for its file
administration is established before us
consists it. Tunnel contracts
between the Commission and the
municipalities securing the work
have come out this August. The
Commission having acquired an
application for its property rights
of roadbeds passed by the Lower
Canada in accordance with the
order.
"On this decision, 1927, 1924,127,00
was the as the Commission an
amount of municipal compensation
expenses. Of late amount
$124,127,00 was taken months of
some revenue and on 1925 does.
1928, with remained unpaid. The
government does not contemplate that
any line will be constructed in
regard of these expenses, but it
would appear estimate that may
be collected more promptly and
that municipalities should be
required to make adequate arrange-
ments for payment in the Commis-
sion in regard of the expe-
diency of which action such
action is undertaken by the Com-
mission."
Imperial Report, 1928, p.221

"At Sturgeon Falls, 1928, there
were various expenses amounting to
$127,124.77. This included
both municipalities and supply lines
amounts. Approximately
$24,000.00 was recovered by
contracts, part of which had been
owing since the year 1923 and
1924."
Imperial on Report on Sector 7,
1928, p.221

clearing power or energy,
and the Commission may charge
and collect from such corporation
stations or transmission the cost
of any work done or service
rendered by the Commission,
its officers, servants or
workmen under this subsection.

"The expenditure of the Commission upon any works under
taken under the provisions of
this act for the benefit of
any municipality or municipal
line which have entered into
contracts with the Commission
shall be recoverable to the
Commission by such municipali-
ty or municipalities."

(17) London & Port Stanley Railway.

"The Commission did considerable work in connection with the construction of the London and Port Stanley Railway. There would appear to be no authority in the Act permitting the Commission to expend monies on the construction of an electric railway. To that extent, expenditures of monies for such a purpose was beyond the powers of the Commission."
(Draft Report, 1916, p.44)

There is no statutory or other authority to justify the Commission undertaking the construction work of the London and Port Stanley Railway or expending thereon, moneys in its hands for other purposes.

"Between September 1914 and October 1917 the Commission expended $309,128.14 on construction work and equipment in connection with an electric railway between London and Port Stanley and charged the whole of this expenditure to the London Railway Commission. These amounts were repaid to the Commission, but it is contended that there is no authority in the Act permitting the Commission to expend moneys in the construction of an electric railway. The expenditure of moneys for such a purpose was therefore beyond the powers of the Commission and without authority."
(Report on Accounts for year ending October 31, 1917, p.3)

(18) Rural Lines operated by the Commission.

"These lines, unless later taken over by the municipalities, will, under the contracts, remain the property of the Commission."
(Report on Accounts to October 31, 1917, p.42)

The construction and operation of distribution works in Rural Power Districts is provided by Part IIB of The Power Commission Act, enacted in 1920.

(19) Essex System.

"The Essex System is owned by the Hydro-Electric Power Commission of Ontario, the municipalities served being without contractual interest in it."
(Report on Accounts to October 31, 1918, p.7)

Under Section 8(f) the Commission had the power to purchase this System, which it did, issuing its bonds therefor to the amount of $226,000.

(19) Continued.

"The Commission incurred a deficit of $12,687.27 in the operation of the Essex System during the fiscal year 1918, which is not recoverable from the municipalities served."
(Report on Accounts to October 31, 1918, p.39)

"To October 31, 1920 the Commission had advanced $149,516.68 to the Essex System out of renewal and reserve funds held by it to the credit of other power systems. In the fiscal year ending October 31, 1921, such advances were reduced by $22,375.24, having a balance still owing as of the fiscal year ending October 31, 1921, $127,141.34."
(Report on Accounts to October 31, 1921, p.63)

The employment by the Commission of renewal and other reserve funds held by it to the credit of other municipalities in making advances to the System does not appear to have any warrant.
The Act does not make any provision for operating deficits.

(20) Thorold System ($99,141.56).

"This represents the purchase price paid by the Commission for the former "Battle" system at Thorold, $100,000 less funds $458.44 belonging to the System and in the hands of the Commission on 31st October, 1919. The assets comprising the System purchased from James Battle on 1st December, 1918, consist of a power transmission system in the vicinity of Thorold together with the contracts, franchises and goodwill in connection therewith. The purchase price was paid in 40-year, 4 per cent. bonds of the Commission, dated 1st December, 1918, and guaranteed by the Province of Ontario. As at present held the Thorold System is owned and operated by the Commission at its own risk."
(Report on Accounts to October 31, 1919, p.7)

The operating account of the System for eleven months ending October 31, 1919 shows a surplus of $4,392.52, after allowance for interest on capital investment - $3,671.45; provision for renewals, $830.07 and provision for sinking fund $1,756.39.
The statement of assets and liabilities shows as assets "due by customers in respect of power accounts - $6,140.48" and "due by Hydro-Electric Power Commission of Ontario, $458.44". The operating revenue for the period includes "Commissions (or Royalties) received from the Ontario Power Company of Niagara Falls on power sold by it to power customers in Thorold District, $3,502.26."

[38] Continued.

"This resolution involved a deficit of $1,537.?? in the operation of the Toronto System during the fiscal year 1913, which is not recoverable from the municipalities served."
(Report on Accounts to October 31, 1919, p.22)

"To October 31, 1919 the Commission had advanced $167,?44.?? to the [illegible] System out of renewal and reserve funds held by it to the credit of other power systems. In the fiscal year ending October 31, 1919, these advances were reduced by $24,[illegible], leaving a balance still owing as of the fiscal year ending October 31, 1919, [illegible]."
(Report on Accounts to October 31, 1919, p.[illegible])

The employment by the Commission of renewal and other reserve funds held by it to the credit of other municipalities in making advances to the system does not appear to have any warrant.
The Act does not make any provision for operating deficits.

[39] Central System [illegible].

"This represents the purchase price paid by the Commission for the Central Ontario System at [illegible], plus funds $[illegible] belonging to the system and in the hands of the Commission as at 31st October, 1919. The assets comprising the system purchased from James [illegible] on 1st February, 1916, consist of a power generating system in the vicinity of Trenton together with the distribution, transmission and goodwill of subsidiary undertakings. The purchase price was paid in [illegible]-year 4 per cent. bonds of the Commission, dated 1st February, 1916, and guaranteed by the Province of Ontario. As at present held the Central System is owned and operated by the Commission at its own risk."
(Report on Accounts to October 31, 1919, p.7)

(20) Continued.

"Under Section 15 of the Act, all sums received by the Commission from municipal corporations and others on Sinking Fund account shall be invested by the Commission in securities of the Province of Ontario and all interest accruing thereon; and such securities shall be delivered by the Commission to the Treasurer of Ontario as security for repayment of the advances made by the Province to the Commission. As no part of the revenue of the Thorold System was paid to the Commission by the municipalities or others for the purpose of meeting Sinking Fund instalments, the Commission has not invested the Sinking Funds of the System in securities of the Province of Ontario for delivery to the Treasurer of Ontario."
(Report on Accounts to October 31, 1920, p.44)

"On December 20th, 1920, the municipality of Thorold entered into a contract with the Commission to purchase power on a "cost basis, and in the opinion of the engineers of the Commission the price to be paid by Thorold as the cost of delivery of such power should include a proportionate part of the generation and transmission expenses of the Ontario Power Company from which the supply of power is purchased by the Thorold System and supplied therefrom to Thorold. Up to the present time, the generation and transmission costs of the Ontario Power Company have not been allocated so as to determine the proportionate part payable by the Town of Thorold on the power supplied to it, and the Commission has accordingly collected from Thorold an interim rate of $22.25 per horsepower, which rate is based on the estimates of the engineers of the Commission and is considered by them to be a fair estimate of the cost of delivering power to Thorold."
(Report on Accounts to October 31, 1921, p.67)

The Accounts as of October 31, 1921, show an operating profit for the year of $43,966.85, the total surplus to that date being $57,568.88, which was "Appropriated for the purpose of providing additional sinking fund reserves against the Commission's investment in the intangible assets of the System, consisting of contracts franchises and goodwill." There is not any statutory provision dealing with profit and loss on Systems owned and operated by the Commission on its own behalf and not for municipalities. The interest of the Province in such Systems should be safeguarded by amendment of the Act.

[Sic] instead.

"Under heading 12 of the Act, all area required by the Commission from municipal corporations and others on Niagara land between the Niagara and Welland Rivers shall be leased by the municipalities in accordance of the Treaties of Ghent and all interest accruing thereon and such securities shall be delivered by the municipalities to the Treasurer of Ontario as security for repayment of the advances made by the Province to the municipalities. In no part of the revenue of the Ontario System has paid to the Commission by the municipalities or others for the purpose of meeting claims lost accounting, the Commission has imposed the winding-up of the Ontario Power Co. Ltd. claims to securities of the Province of Ontario for delivery to the Treasurer of Ontario."

[Report on accounts to October 31, 1919, p.97]

COPY

"On January 12th, 1920, the municipality of Thorold entered into a contract with the Commission to purchase power on a 'cost basis', and in the opinion of the engineers of the Commission the price to be paid by Thorold is the cost of delivery of such power should include a proportionate part of the capital and interest charges of the Ontario Power Company from which the supply of power is obtained by the Ontario System and supplied therefrom to Thorold. To the present time, the generation and transmission costs of the Ontario Power Company have not been allocated to its interests in proportion to the power supplied to it, and the commission has accordingly estimated from Thorold an interim rate of $20.12 per horsepower, which rate is based on the estimates of the engineers of the Commission and is accepted by them to be a fair estimate of the cost of delivering power to Thorold."

[Report on accounts to October 31, 1921, p.97]

The accounts as of October 31, 1919, have to accounting prof[illegible] for the year of [illegible], [illegible] actual expense in that date [illegible] $17,[illegible], while the [illegible] 'appropriated for the purpose of providing additional electrical transmission equipment the Commission's investment is in intangible assets of the system, consisting of contracts franchises and goodwill."

There is not any statutory provision dealing with profits and loss on systems owned and operated by the Commission on its own behalf and not for municipalities. The interest of the Province in such systems should be safeguarded by amendments of the Act.

(21) Farming Operations.

"During the fiscal year 1918, farming was carried on by the Commission on lands purchased for the Niagara Power Development and not then required for excavation or construction. Equipment supplies and live stock were purchased and the bulk of the produce raised was sold.
"It is stated that the farming operations were undertaken by the Commission in the interests of production, having regard to war conditions and with a view of utilizing lands, a large portion of which would otherwise have remained idle. No provision, however, appears in the Act which empowered the Commission to undertake farming operations or to expend monies for such purpose."
(Report on Accounts to October 31, 1918, p.10)

There is nothing in the Power Commission Act authorizing the Commission to conduct farming operations. The employment of funds in its hands for such purpose was improper.

"To the extent, that the Commission carried on farming operations beyond those which were necessary to maintain the properties in a condition favorable for sale, the authority of the Commission to conduct them was questionable. The Commission sustained a loss of $53,408.63 in connection with its Farming operations during the fiscal year 1918."
(Report on Accounts to October 31, 1918, p.11)

(22) Ontario Power Company.

"On the 12th April, 1917, the Commission purchased from Mr. J. J. Albright, Buffalo, acting as vendor on behalf of himself and other stockholders of the Ontario Power Company, Limited, $9,000,000 of capital stock of that company and a further $1,000,000, being the balance of the total issued capital of $10,000,000, to the extent that the vendor was able to obtain delivery from the holders thereof. The purchase price of the stock was $8,000,000, or such portion of that

Report on Ontario Power Company from legal standpoint covers this.

(22) Continued.

sum as equalled eighty per cent. of the part value of the stock actually delivered to the Commission, and such amount was payable in forty year, four per cent. debentures issued by the Commission and guaranteed by the Province of Ontario. It was subsequently arranged between the vendor and the Commission that the purchase was to be completed on the 1st August, 1917, and the debentures were dated accordingly.

"Up to 31st October, 1917, capital stock in the company to the extent of $9,980,000 had been transferred to the Commission and debentures were issued in payment therefor to the amount of $7,984,000, being eighty per cent. of the par value of the stock transferred. Of these debentures, $300,000 have been retained by the Commission as security against certain accounts payable and accrued charges aggregating about $90,000, which items the Commission contends have to be met by the vendor."

(Special Report, 1918, p. 30 & 31)

"While understandings exist as to the repayment to the Commission of advances made for and on behalf of the Power Company, no written agreements appear to be in existence covering the same. With the Power Company a separate entity, administered by its own Board of Directors, it would appear advisable that definite agreements in writing should be effected."

(Report on Account to October 31, 1918, p.19)

"At October 31, 1919, moneys to the extent of $2,260,441.02, expended by the Commission on the third pipe line, had been taken from funds in the Commission's possession belonging to the various power systems.

"The capital stock of the Ontario Power Company, the Essex System and the Thorold System have all been acquired by the issue of the bonds of the Comm-

[pp] Continued.

(22) Continued.

ission, guaranteed by the Province, and while the Power Commission Act requires that all Sinking Funds received by the Commission must be invested in securities of the Province of Ontario, there is a question as to whether such securities may be retained by the Commission or must be transferred to the Treasurer of the Province."
(Report on Account to October 31, 1919, p.12)

"With the purchase during the year by the Commission of certain few outstanding shares of the capital stock of the Ontario Power Company, the Commission became the owner of the entire capital stock of the Ontario Power Company, under which conditions, and having regard to the circumstances surrounding the purchase of share sof the Company and to the provisions of the Power Commission Act, it is the opinion of legal counsel that there is no serious question as to whether the shares of the Ontario Power Company are not now so vested in the Commission as to require that the municipalities on the Niagara System make payment for power received from the Ontario Power Company on the same basis as is required under Section 23 of the Power Commission Act with respect to works constructed with the use of moneys advanced by the Province of Ontario. In other words, that the municipalities pay such a price for power as will provide (with other costs) sinking funds for repayment of the $8,000,000. bonds issued in purchase of the shares of the Ontario Power Company and the $3,344,494.38 advanced by the Commission towards construction of the third pipe line which said sinking funds would amount to approximately $140,000 per annum. It is of importance that the question be determined so that the Commission may be assured that such basis as it shall adopt in regulating the accounts of the Company and the Niagara System

(22) Continued.

for the future is one proper to be adopted; also for the reason that if purchase of the properties of the Toronto Power Company shall be effected the same question is likely to arise in reference to the conduct of the Accounts of such undertakings."
(Report on Accounts to October 31, 1920, p.86)

(23) Advances to Ontario Municipal Electric Association and the Ontario Radial Association.

"To October 31, 1918, the Commission advanced $9,493.30 in connection with salaries and expenses of the above Associations. By resolution the Commission has authorized advances to the Associations at the rate of $4,000 per annum; it is questionable if any provision within the Act permits the Commission to make expenditures of such a character out of funds of the Commission."
(Report on Accounts to October 31, 1918, p.19)

The Commission had no authority for making those expenditures without special appropriations therefor.

"During the fiscal year ending October 31, 1919, the Commission advanced $4,466.63 to the Ontario Municipal Electric Association and the Ontario Radial Association jointly. The authority of the Commission to make such advances is questionable."
(Report on Accounts to October 31, 1919, p.23)

"During the fiscal year ending October 31, 1920, the Commission made jointly advances to the Ontario Municipal Electric Association and the Ontario Hydro Radial Association of $4,008.64 of which $727.50 was charged to the administrative expenses of the Commission and included in the cost of power to the various municipalities, while $3,281.14 was charged to Hydro Radial railway construction.

(20) Continued.

Our main change is that we propose to be more specific about the use permits that it requires of the Corporation of the Virgin Islands. Company should be allowed the same latitude in limiting its rates in reference to the decision by the Commission of such permits.

Filing on assessment by October 21, 1976, p.21

(21) Assumes in certain instances disputes involving the Corporation Public Commission.

The Corporation's 1976 low-income rate structure (2,000 kwh or less) is assessed at the above. Its rate structure is a progressive one. It is in accordance with the Commission's new accounting system at least a substantial step at first at the Commission's.

Filing on assessment by October 21, 1976, p.18

Tariff for Electric Service of the Virgin Islands Water and Power Authority. The Commission's new accounting system is consistent.

Filing on assessment by October 21, 1976, p.22

"Tariff for Electric Service of the Virgin Islands Water and Power Authority, dated 1976, the Commission's new accounting system is the 3-tier rate structure. Virgin Islands Water and Power Authority Electric Service Schedule of Rates" dated 1976, the change is the administrative expense of the Commission and evaluated in the year of 1976 is the service commission's, which is not allowed in Water and Power Public Utility Administration.

The Corporation's 1976 Rate Structure Instructions and the Commission's expected expenditures for monthly rates expenditures expenditures Corporations Commission.

(23) Continued.

The authority of the Commission to make the disbursements of $727.50 is open to question. While the amount of $3,281.14 charged to Hydro Radial railway construction made out of funds held by it for the benefit of Power Systems was beyond the Commission's authority."
(Report on Accounts to October 31, 1920, p.88)

"During the fiscal year ending October 31, 1921, the Commission paid the sum of $3,885.07 to the Ontario Municipal Electric Association and the Ontario Hydro Radial Association. Of such amount $655.52 was charged to the administrative expenses of the Commission and included in the cost of power to the municipalities on the various systems operated by the Commission. The balance of $3,229.55 was charged as expenditures made by the Commission in connection with various projected Hydro Radial railways and, with other expenditures made in 1920 and 1921 in respect of such railways, was later charged against the Province. The authority of the Commission to make the disbursements of $655.52 and $3,229.55 is open to question."
(Report on Accounts to October 31, 1920, p. 121)

(24) Thunder Bay System.

"In the agreements between the municipalities of Port Arthur and Fort William and the Commission, the terms of repayment by these municipalities of the capital invested in the works of the system extend over a period of forty years instead of thirty years as provided by Section 23 of the Act."
(Report on Accounts to October 31, 1918, p.24)

The Act does not authorize the extension beyond thirty years of the period for accumulation of a Sinking Fund to repay the advances by the Province. The setting apart of monies for Reserves other than Sinking Funds is optional with the Commission.

"Certain issues exist with regard to the sale of the excess power on the

(24) Continued

Thunder Bay System and the probable cost of power to the cities of Port Arthur and Port William and the attention of the Government, the Commission and the municipalities is now directed toward them."
(Report on Accounts to October 31, 1919, p.29)

"The City of Port Arthur made a new contract with the Commission in May 1917, to purchase power from the Nipigon works. The Commission is, in my opinion, authorised under the provisions of Section 25 of the Power Commission Act to relieve the City from the payment of any sinking fund instalments in respect of the cost of the Nipigon works for a period of five years from December 20th, 1920. During the year 1921, the Commission did not include renewal charges as a part of the cost of power furnished from Nipigon and the attitude adopted by the Commission would appear to be subject to but slight objection - having regard to the fact that the works were operated to a limited extent only in the year and at a time when they were in the course of construction and incomplete."
(Report on Accounts to October 31, 1921, p.40)

"Under the terms of the contract between the City of Port Arthur and the Commission, sinking fund instalments to be included in the cost of power from the Nipigon works are to be those which will be sufficient to repay the cost of works within 40 years instead of thirty years as is required generally under the terms of the Power Commission Act."
(Report on Accounts to October 31, 1921, p.39)

(14) Continued

whether any opinion, and the paying the cost of power to the cities of Port Arthur and Fort William and the [illegible] of the Government, the Commission [illegible] the [illegible] in the different [illegible] years."
(Report to [illegible] 31, 1919, p.[illegible])

"The City of Port Arthur made a new contract with the Commission in July 1917, to purchase power from the Nipigon works. The Commission is, in my opinion, justified under the provisions of Section 23 of the Power Commission Act to relieve the City from the payment of any sinking fund instalments in respect of the cost of the Nipigon works for a period of five years from November 30th, 1920. During the year 1921, the Commission did not include sinking fund charges in respect of the cost of power furnished from the Nipigon and the ultimate charge by the Commission would appear to be subject to the [illegible] adjustment having regard to the fact that the works were operated to a limited extent only in the year and at a time when they were in the course of construction and incomplete."
(Report to [illegible] 31, 1921, p.[illegible])

"Under the terms of the contract between the City of Port Arthur and the Commission, sinking fund instalments to be included in the cost of power from the Nipigon works are to be those which will be sufficient to repay the cost of works within 40 years instead of thirty years as is provided generally under the terms of the Power Commission Act."
(Report to [illegible] 31, 1921, p.[illegible])

(25) Nipigon Interest.

"On the assumption that the Province was and is prepared to accept interest at 5 per cent. per annum on all advances by it to the Commission for the purposes of the Nipigon works, the Commission reduced interest charges in respect of such advances, to October 31, 1921, to conform with such rate. This resulted in a reduction of $71,785.41 which was deducted from interest paid to the Province on October 31, 1921. In view of the provisions of section 15(1a) and 23 of the Act, if the basis adopted by the Commission in its accounts is to be made permanent and valid it is a question if legislative approval of it is not necessary to be obtained."
(Report on Accounts to October 31, 1921, p.38)

Municipal Corporations under Sections 23(b) and 23(c) are required to pay annually their proportion of an annual sum to form in thirty years a sinking fund for the repayment of the advances made by Ontario for the payment of the cost of the works and such sum as the Lieutenant-Governor may direct to cover the difference between the four per cent. charged on capital account, advances for working capital, and all charges and expenses of providing such money."

(26) Hydro-Electric Railway Construction.

"Expenditures of $54,811.06 have been made on the purchase of right-of-way between Port Credit and Toronto for the purpose of Hydro-Electric Railways, and $40,773.28 disbursed by the Commission in connection with preliminary surveys, engineering and investigations, and for other purposes in connection with sundry proposed Hydro-Electric railway lines.
"There was no statutory authority in the Commission to make purchases of such right-of-way, but the Commission states that it received assurance from Sir William Hearst, the late Premier of the Province of Ontario, that if it would obtain resolutions by the municipalities interested requesting the Government to introduce and pass all amendments to existing legislation that may be necessary to validate the building of an electric railway line between Toronto and Port Credit as a part

There was no warrant or authority for the Commission to employ for hydro-radial railway purposes any moneys in its hands, other than such as had been specifically appropriated for such purpose. The employment of funds in its hands in connection with power undertaking for purposes of the Hydro-Electric Railways was unwarranted and improper. The provisions of the Power Commission Act were not made applicable to the Hydro-Radial Railway Act.
The only means provided by the Hydro Radial Act for the Commission raising money for the construction and equipment of a railway is by an issue for and on behalf of the Corporation of bonds charged upon and secured by the railway and all the assets, rights

(26) Continued.

of the proposed Toronto to St. Catharines Hydro-Electric Railway - so as to make the same legal, valid and binding upon the municipalities - that the Government would, with the presentation to it of such resolutions, support legislation to that effect. On the basis of these assurances and with resolutions by the municipalities in its possession, the Commission felt justified in acquiring such right-of-way, and later making further expenditures thereon out of funds held by it under the terms of the Power Commission Act, in the belief that by so doing it would make a saving in the cost of the proposed Port Credit to Toronto railway line. The Commission expended $40,773.28 over and above amounts charged to the Province on preliminary surveys, investigations, for engineering expenses and by campaign and other purposes in respect of various electric railway lines, and such amount has for the time being been capitalized in the Commission's account. The right of the Commission to make such expenditures is questionable."
(Report on Account to October 31, 1919, pp. 8 & 9)

Port Credit to St. Catharines Railway

"Up to October 31, 1920 the Commission made expenditures in connection with this railway to the amount of $413,620.65; $100,000.00 of which was borrowed from the Bank of Montreal and the remaining $313,620.65 was taken from funds in the possession of the Commission appropriated for and belonging to the Hydro Electric Power Systems. The funds were repaid to to the power systems subsequent to October 31, 1920."
(Report on Accounts to October 31, 1920, p.63)

privileges, revenues, works, property and effects belonging thereto or held or used in connection therewith. Debentures issued by municipal corporations are to be held as collateral security for the bonds issued by the Commission. Where, as in the case of the Toronto-Port Credit Railway, no bonds were issued by the Commission.
The right-of-way acquired by the Commission for the Toronto-Port Credit Railway was by the Act vested in the Commission in trust for the corporations parties to the agreement. If the right-of-way, when disposed of does not realize sufficient to repay the Commission the amount it has expended thereon, the Municipal Corporations may be liable to make up the deficiency.
The situation in regard to the Port Credit-St. Catharines Railway is different from that of the Toronto-Port Credit Railway in that the Commission did issue its Bonds, guaranteed by the Province, for purposes of the railway. The Commission in this case holds the property and effects acquired in trust for the Corporations and the Bonds issued by it are charged and secured upon such property and effects. In default of realization by the Commission as Trustee of sufficient to retire its bonds by sale of the property and effects held by it, the deficiency must be made up by the Municipal Corporations out of the debentures deposited by them.

(42) continued.

[illegible] Ottawa 21, 1970."

[illegible] Ottawa 21, 1970, p.95]

(26) Continued.

Toronto to Port Credit Railway

"The Commission states that in the latter part of the fiscal year ending October 31, 1919, it received assurances from Sir William Hearst, the then Premier of the Province of Ontario, that if it would obtain resolutions from the municipalities interested requesting the Government to introduce and pass all amendments to existing legislation that might be necessary to validate the building of an electric railway line between Toronto and St. Catharines as a part of the proposed Toronto to St. Catharines Hydro Electric Railway - so as to make the same legal, valid and binding upon the municipalities - that the Government would with the presentation to it of such resolutions support legislation to that effect. On the basis of these assurances and with the resolutions by the municipalities in its possession the Commission states that it felt justified in acquiring rights-of-way and later making further expenditures thereon out of funds held by it under the terms of the Power Commission Act in the belief that by so doing it would make a saving in the cost of the proposed Port Credit to Toronto Railway line. To October 31, 1920, the amounts so expended by the Commission upon the undertaking were as follows:

Expended upon the purchase of rights-of-way	$624,996.92
Expenditures upon surveying, engineering, administrative expenses and interest	58,289.82
	$683,286.74

(Report on Accounts to October 31, 1920, p.64)

(26) Continued.

Proposed Electric Railways

"The Commission made the following expenditures on proposed electric railways:

Toronto & Eastern Rly.	$43,946.40
Hamilton, Galt, Elmira & Guelph Railway	36,482.06
Hamilton, Brantford, Woodstock & London Rly.	17,674.34
St. Catharines & Niagara Falls Rly.	25,984.29
Niagara St. Catharines & Toronto Railway	1,005.27
Toronto Suburban Rly.	5,604.86
T o t a l	$130,697.22

"These expenditures were made out of funds appropriated for and belonging to the Hydro-Electric Power Systems and the officers of the Commission state that instead of asking for an appropriation by the Legislature out of which to make such expenditures at the cost of the Province, the moneys mentioned were disbursed out of funds in the hands of the Commission and capitalized upon its books in the expectation that construction of the railway would be proceeded with, when with the sale of securities for such purpose the moneys disbursed would have been repayable to the Commission as part of the costs of construction of such railway."
(Report on Accounts to October 31, 1920)

"Up to October 31st, 1920, the Commission had expended $313,620.85 in connection with the Port Credit and St. Catharines Railway out of appropriations for and funds held by the Commission for the benefit and purposes of the Hydro-Electric power systems. This sum was repaid on December 28th, 1920."
(Report on Accounts to October 31, 1921, p.97)

"To October 31, 1920, no bonds had been issued by the Hydro-Electric Power Commission of Ontario in respect of the costs of construction and equipment of the Toronto to Port Credit Railway, but ex-

(12) Continued.

CONTRACTS - MEDIA SUBSIDIES

The commission made the following appropriations on previous electric railways:

Toronto & Niagara City, Niagara Falls, Buffalo, Limited	$28,240.00
A Bridge Railway	86,666.00
Hamilton, Grandville, Caledonia & London & Lake Erie	17,173.34
St. Catharines & Niagara Falls City	22,000.12
Niagara St. Railway	2,160.17
Toronto Suburban Ry.	2,212.22
Total	$158,127.00

"These expenditures were made not if Much appropriated for and building in the Hydro-Electric Power Commission at Niagara at the Commencement of the Parliament of an Act to authorize the Lieutenant Governor in Council to make arrangements with the Municipalities and to which work began there at the head of the Rapids, the energy generated were distributed and sold for the benefit of the municipalities and consumers upon the basis of the representations that contracts for the purchase of the power would be procured with, where the basis of consumption for some purposes the average distance would be the best representations to the Commission as part of the cost of construction of such railway."

(Report to Commission to October 31, 1910)

"On 1st October 31st, 1909, the Commission had expended $117,000.31 in connection with the Niagara Falls and St. Catharines Railway and of appropriation for the Power Line by the Commission for the benefit and purposes of the Hydro-Electric power system. This sum was repaid on December 31st, 1909."

(Report to Commission to October 31, 1910) p.271

"On October 31, 1909, no bonds had been issued by the Hydro-Electric Power Commission of Ontario in respect of the cities of Niagara Falls and Toronto to Port Credit Railway, but expenditures to Port Credit Railway, but expenditures

(26) Continued.

penditures to the amount of $683,286.74 had been made by the Commission in connection therewith under the following circumstances. The Commission states that in the latter part of the fiscal year ending October 31st, 1919, it received assurances from Sir William Hearst, the then Premier of the Province of Ontario, that if it would obtain resolutions from the municipalities interested, requesting the Government to introduce and pass all amendments to existing legislation that might be necessary to validate the building of an electric railway line between Toronto and St. Catharines as a part of the proposed Toronto to St. Catharines Hydro-Electric Railway -- so as to make the same legal, valid and binding upon the municipalities -- that the Government would with the presentation to it of such resolutions support legislation to that effect. On the basis of these assurances and with the resolutions by the municipalities in its possession, the Commission states that it felt justified in acquiring rights-of-way and later making further expenditures thereon out of funds held by it under the terms of the Power Commission Act in the belief that by so doing it would make a saving in the cost of the proposed Port Credit to Toronto Railway line."

"During the fiscal year ending October 31, 1921, the Commission made additional expenditures in connection with the Toronto-Port Credit Electric railway in the amount of $52,477.96 out of fund appropriated by the Province to meet the cost of miscellaneous construction in respect of power systems, and there was, in my opinion, no authority in the Commission to use the $52,477.96 expended for such purposes but equally there was no other source available from which the Commission could legally obtain funds to enable it to protect its investment."

(Report on Account to October 31, 1921, p.99)

[24] Continued.

preliminary to any account of such, rot. It has been made by the Commission in administering inquiries under the following circumstances. The Commission stated in the letter part of the Final Inquiry Report that, 1977, it requires assurance from the Minister for Justice that, the time frames of the Terms of Reference, that it would strain resources from the multidisciplinary investigation, requiring the Government to intervene and pass all necessary to validate legislation that may be necessary to validate the multi-lag of an elastic military time between Parade and 7. Disorders as a part of the preceding Parade to 41. Assurances Commissioner Daisy -- as to make his own judgment, voice and standing upon the multi-sitting -- that the Government would with the preparedness to it of such provisions support legislation to that effect. On the day of that conference and with the revelations by the Commissioner in the newspaper, the Government that is part justified in advising Parliament that it was large enough Parade amendment Bill to be of Trade Bill by it under the terms of the Power Commission act in the belief that by so doing it would cause a delay in the part of the proposed Inquiry Report to Parade Inquiry Line.

During the Final year making Parade 31, 1978, the Commission made additional expenditure in accordance with the Treasurer's Budget Inquiry Policy to the amount of $21,000 out of funds appropriated by the Parliament to meet the cost of administration and/or payment of legal expenses in respect of Inquiry staff. Had this not been the case, in my opinion, no authority in the Commission to see the 1977, to attempt for some purpose the quality that the other Inquiry Commissioners from which in Commission would legally enter in Trade to enable it to produce the Inquiry.

[Report on Inquiry to Parade 31, 1977, p.29]

(27) Expenditures in excess of appropriations by the Province.

"Appropriations made by the Legislature during the year for the purposes of the Commission, but excluding those for the Chippawa works and Central Ontario System, were as follows:

Niagara System extensions	$1,000,000.00
Severn System extensions	100,000.00
Eugenia System extensions	50,000.00
Muskoka System extensions	200,000.00
Port Arthur (Thunder Bay) System extensions	2,500,000.00
Wasdell System extensions	1,000.00
St. Lawrence System extensions	150,000.00
Rideau System extensions	500,000.00
Miscellaneous	75,000.00
Expenditures on account of the Province	195,500.00
	$4,771,500.00

"Expenditures made by the Commission during the year in respect of such systems and for the purposes for which appropriations were made, were as follows:

On the Niagara System	$ 522,915.18
" " Severn System	103,936.04
" " Eugenia System	161,685.18
" " Muskoka System	4,862.72
" " Port Arthur (Thunder Bay) System	810,794.76
" " Wasdell System	3,338.32
" " St. Lawrence System	163,202.88
" " Rideau System	529,868.37
Expenditures on account of the Province	202,537.49
	$2,503,140.94

"During the fiscal year ending October 31st, 1919, the Commission made requisition upon and obtained from the Province the whole of the moneys appropriated to cover the estimates put in for that period, and after expenditure of portions thereof to the specific purposes for which they were voted, there remained in its hands:

The Commission was not justified in expending moneys upon any undertaking in excess of appropriations therefor or of using therefor moneys appropriated for other purposes. Since the amendment of the Act in 1921 (New Section 24b) of the Act, where the appropriation made by the Legislature for any work of the Commission shall become exhausted in any fiscal year and the Chairman reports to the Lieutenant-Governor-in-Council that it is necessary and expedient that such work shall be proceeded with and that an additional sum is required for that purpose, a special warrant may be issued for the amount estimated to be required.

(27) Continued.

"Re Niagara System Of $1,000,000 voted for the use of the Niagara System, the Commission employed $522,915 for such purposes and drew in addition	$ 477,085.00
"Re Muskoka System Of $200,000 voted for the use of the Muskoka System the Commission employed $4,863 for such purposes and drew in addition	195,137.00
"Re Port Arthur (Thunder Bay) System Of $2,500,000 voted for the use of this System the Commission employed $810,795 for such purposes and drew in addition	1,689,205.00
"Re Central Ontario and Nipissing System Of $1,175,000 voted for the use of this System the Commission employed $453,390 for such purposes and drew in addition	721,610.00
A total of	$3,063,037.00

which it expended

(a) On the following Systems in excess of appropriations therefor:

Severn-		
Expenditures	$103,936.00	
Appropriation	100,000.00	$ 3,936.00
Eugenia-		
Expenditures	161,685.00	
Appropriation	50,000.00	111,685.00
Wasdell-		
Expenditures	3,338.00	
Appropriation	1,000.00	2,338.00
St.Lawrence-		
Expenditures	163,203.00	
Appropriation	150,000.00	13,203.00
Rideau-		
Expenditures	529,868.00	
Appropriation	500,000.00	29,868.00
For the Province-		
Expenditures	202,538.00	
Appropriation	195,500.00	7,038.00
		$168,068.00
Less allowance for general purposes		75,000.00
Net expenditure over appropriations being		$ 93,068.00

COPY

(27) Continued

(b) On the construction of the third pipe line, and additional equipment, to the works of the Ontario Power Company	$1,811,270.00	
(c) Upon the Chippawa Works in excess of appropriations of the Legislature therefor	1,162,299.00	
(d) For engineering, surveys, investigations, right-of-way, and otherwise in connection with Electric Railway Lines	96,584.00	
(e) On extensions to the Essex System	96,973.00	$3,261,894.00
The balance of		$ 198,857.00

to meet such expenditures having been drawn from the general funds of the Commission.

It is apparent that the members of the Commission - of themselves - were not fully seized of the extents by which appropriations were being exceeded or moneys being expended for purposes other than those for which appropriations had been asked. With the matter drawn to their attention steps have been taken to keep expenditures within appropriations; at the same time it is recognised that if contingencies arise or work not anticipated or looked for, has to be done in any period, some basis must be arrived at whereunder a general allowance-specified in amount-can be made available to the Commission so as to obviate embarrassment and delay and permit it to continue administration of the undertakings in its charge in a practical manner. Such an allowance could be voted by the Legislature subject to payment of it to the Commission from time to time as required and with the approval of the Lieutenant-Governor-in-Council."

(Report on Accounts to October 31, 1919, pp. 16-18)

(27) Continued

(b) On the conversation of the
[illegible] Life, and relations
of kinship, to the method
of the Jain the [illegible]
(c) Plot the Kinship Terms in
matrix of equivalence of
the [illegible] Bororo
(d) The [illegible] terms,
[illegible], [illegible]-
ary, and [illegible] in com-
bination with [illegible]
lines
(e) Do [illegible] in the Cross
[illegible]

The [illegible] of